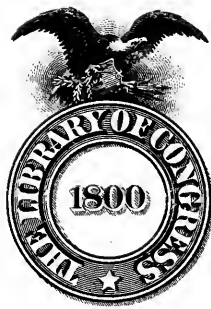


# NATIONAL BUSINESS CONGRESS

INDUSTRIAL, COMMERCIAL AND FINANCIAL INTERESTS

THE NATIONAL BUSINESS LEAGUE OF  
AMERICA





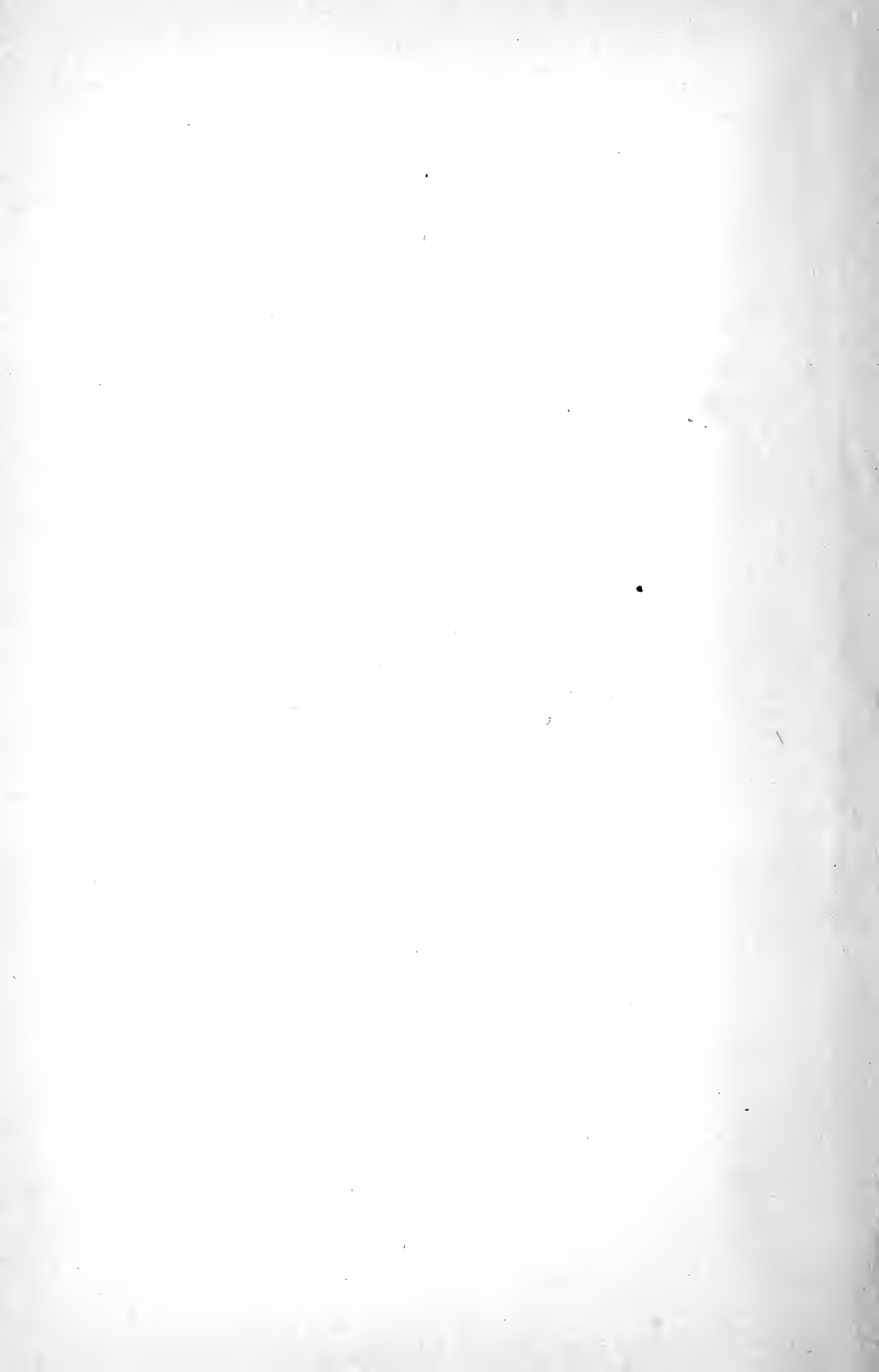
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Complete Proceedings  
OF THE FIRST  
National Business Congress

A Free and Open National Forum of  
Industrial, Commercial and Financial Interests

UNDER THE AUSPICES OF  
The National Business League of America

GOLD ROOM, CONGRESS HOTEL, CHICAGO  
*December Eleventh, Twelfth and Thirteenth*  
NINETEEN HUNDRED AND ELEVEN



ISSUED BY  
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## FOREWORD

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THE National Business Congress was called by the National Business League of America, as the result of a conference of leading national and local industrial and commercial organizations, for the free and open discussion of questions of vital importance to business interests, for the purpose of ultimately finding a common ground upon which to insure a unity of action in the promotion of such reasonable and sane legislation as would, in the judgment of practical men, be beneficial to the industries, commerce and finance of the United States.

There was no intention of organizing another political party. Already there are too many such in existence for the general welfare. It was the special aim of the Congress, however, to encourage business men everywhere to become active in political fields, but, as already indicated, only for the purpose of securing wise enactments for the public good; for the repeal or amendment of harmful, inadequate and unnecessary laws, and for the prevention of premature and ill-advised legislation generally.

The Congress adjourned after empowering the Chairman to appoint a Resolutions Committee to consider the proceedings of the different sessions, and to draft a platform covering the various measures considered; the same to be submitted for the approval of the organizations represented, and of other active bodies throughout the country.

# INDEX TO ADDRESSES

## OPENING ADDRESS.

GEORGE W. SHELDON, President of the National Business League of America ..... 5 - 8

## TARIFF, TRUSTS AND POLITICS.

ALEXANDER H. REVELL of Illinois ..... 9 - 22

## THE NECESSITY FOR THE BUSINESS MAN IN POLITICS.

HENRY M. WALLIS of Wisconsin, Chairman of the State Legislation Committee of the National Implement and Vehicle Association ..... 23 - 33

## HOW TO GET A MERCHANT MARINE.

BENJAMIN J. ROSENTHAL of Illinois ..... 34 - 52

## THE AMERICAN CONSULAR SERVICE.

DR. SAMUEL MACCLINTOCK of Illinois..... 55 - 73

## THE RELATION OF INDUSTRIAL ABUSES TO OUR FOREIGN AND DOMESTIC TRADE.

JOHN KIRBY, JR., of Ohio, President of the National Association of Manufacturers ..... 75 - 93

## COMPULSORY INSURANCE.

FREDERICK TOWNSEND MARTIN of New York..... 93 - 105

## AMENDMENT OF THE SHERMAN ANTI-TRUST LAW, TO PROTECT LEGITIMATE COMBINATIONS OF LABOR AND CAPITAL.

HONORABLE FRANK D. PAVEY of New York..... 112 - 140

## TRANSPORTATION.

FREDERIC A. DELANO, President of the Wabash Railroad Company ..... 155 - 165

## OUR REFORMED CONSULAR SERVICE AS AN AGENCY IN AMERICAN TRADE EXPANSION.

HONORABLE JOHN BALL OSBORNE, Chief of the Bureau of Trade Relations, Representing the Department of State at Washington ..... 166 - 188

## ELASTIC CURRENCY FOR THE PEOPLE, STABLE, FLEXIBLE, RECONVERTIBLE.

E. CLARENCE JONES of New York, President of the American Embassy Association ..... 190 - 211

## THE AMERICAN MERCHANT MARINE IN OUR FOREIGN TRADE.

ROBERT DOLLAR of California..... 218 - 220

## THE PACKING INTERESTS.

JACOB C. DOLD of New York ..... 250 - 255

## THE CONSULAR SITUATION.

AUSTIN A. BURNHAM, General Secretary of the National Business League of America ..... 256 - 266

## MEASURES FOR THE PROMOTION OF THE AMERICAN MERCHANT MARINE.

PROFESSOR EMORY R. JOHNSON of the University of Pennsylvania ..... 268 - 280

## PRESSING NEEDS FOR CURRENCY LEGISLATION.

GEORGE M. REYNOLDS, President of the Continental and Commercial National Bank of Chicago ..... 280 - 300

## THE RESTORATION OF OUR COMMERCIAL FLAG TO THE HIGH SEAS.

JAMES L. EWELL of New York, Secretary of the National Merchant Marine Association ..... 301 - 315

## HOW TO INCREASE OUR EXPORTS.

BENJAMIN J. ROSENTHAL of Illinois ..... 316 - 324

# NATIONAL BUSINESS CONGRESS

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## FIRST SESSION.

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CHICAGO, MONDAY, DECEMBER 11, 1911.

10:30 o'clock A. M.

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The Congress was called to order by Mr. George W. Sheldon, President of the National Business League of America.

PRESIDENT SHELDON: Gentlemen, this is a congress of business men, called by the National Business League of America, consistent with its constitution and activities, to discuss important national matters which it believes are vital to the welfare of the country; to deduce from the discussions, theories and principles which will result in the adoption of resolutions directed, if you please, to our legislators, with such recommendations and addenda as are deemed necessary for the proper laying before our legislative bodies the conclusions reached by this Congress.

Attending this Congress are men from nearly every state in the Union, and, so far as I know, not a single man who has any political strings attached to him, and is, therefore, free to voice his opinions in the most effective way, and I think I may safely add in as emphatic manner as he shall feel the subject warrants.

I remarked that the subjects for discussion are vital to the welfare of the country—they are:

**Tariff, trusts and politics.**

Measures for the creation of an American Merchant Marine and restoration of our Commercial Flag to the High Seas.

The necessity for business men in politics.

The American Consular Service.

The relation of industrial abuses to our foreign and domestic trade.

State Insurance.

Amendment of the Sherman Anti-Trust law to protect legitimate relations of labor and capital.

Transportation.

Promotion of American foreign commerce.

Elastic currency for the people—stable, flexible, re-convertible.

Pressing needs for currency legislation.

How to increase our exports.

I think you will all agree with me that when I said the subjects for discussion are vital to the welfare of our country, I was not far wrong. If we admit that these are all subjects which are vital, we have agreed on the initial efforts of this Congress. Every man in this room is sufficiently familiar with all these subjects so that he has opinions thereon, and I venture to say that the crudest of these views, if enacted into law, would be better than most laws which now burden our statute books in relation thereto.

Your work, therefore, for the next three days, is cut out for you, and on you depends the impression which you will make upon the country and our legislators. Personally, I feel that the result of this Congress will be greater and more beneficial to our country than any congress of business men that has ever been held.

There are two subjects in the list in which I am particularly interested: they are Consular Reform and Merchant Marine. I say that I am particularly interested in these subjects, and I am further frank to say that my interest in these subjects is both selfish and patriotic. Selfish, because I come in daily contact with both in the earning of my daily bread; patriotic, because I am an American born citizen, and I see abuses in the first which are easy of reformation, if our legislators will abandon their personal and political interests and work for the interests of the country at large, which they pledged themselves to do in their solicitation for votes which elected them to the offices which they now hold, and patriotic because I see hundreds of millions of dollars per annum paid to foreign countries to provide transportation for the carrying to all parts of the world of the raw and manufactured products of this great country. But both of these subjects are to be discussed during this Congress by men who are much more competent to lay the facts and the situation before you than I am able to do. You will hear but little from me during this Congress, because of the fact that it was instituted for the purpose of the promulgation of the ideas of you captains of in-

dustry, commerce and finance from different parts of the country. It is my intent, however, to mingle with you for the purpose of collaboration with a view to bring about better administrative conditions than exist at the present time.

Just one more word about Consular Reform: The files of the National Business League of America are full of autograph letters of prominent Senators and Congressmen who have eulogized our efforts, who have promised heartiest support, and who have not even turned their heads once to make good. These are no idle words—they are facts which can be proven by our records, which are open to each and all of you.

I recall an incident of some three years ago, when a committee, made up from the membership of the Chicago Association of Commerce and the National Business League of America, visited Washington to urge upon the Congress their support to the proposition for a Tariff Commission. This committee called upon the Speaker of the House, and were very thoroughly disciplined by him and were practically advised that they were interfering with a matter which they knew nothing about, and that the Speaker and the Congress were quite competent to look after the tariff affairs of this country. The morning after this very unsatisfactory visit, the committee called upon President Roosevelt. He listened patiently and interestedly to the story which the committee had to relate. The committee urged upon the President to send a message to the Congress recommending enactment of a law providing for a Tariff Commission. The President answered: "You all know the fate of the various messages which I have sent to the Congress during recent weeks. Were I to send a message to the Congress recommending the enactment of a law providing for a Tariff Commission, it would suffer the same fate as have other messages which I have sent to the Congress; but," he said, "when you get home remember that there is an election coming." Now, there is not a subject to be discussed by this Congress but that involves a measure which is for, and if enacted into law, will be for the well-being of the country. If these measures are turned down by our legislators, remember there is an election coming, and see to it that those legislators to whom we shall appeal in vain are retired to the shades of private life.

During the last fifteen years, however, much has been accomplished by the business organizations represented in this Congress. The creation of a Department of Commerce and Labor; the progress

in consular reform and in the movement for a permanent Non-partisan Tariff Commission; Purchase of American Embassy and consular sites and buildings; a national irrigation law that is rapidly transforming the desert wastes west of the Mississippi into a vast empire of agriculture and home builders; and to crown our efforts with imperishable credit, the Panama Canal, soon to be a great commercial highway for America and all the nations of the earth. These achievements demonstrate what business men and business organizations in politics can do when they all pull together. The results indicate what may be accomplished in the future, if, through conference and co-operation, we persist for the enactment of wise laws and for the defeat of bad and unnecessary measures.

Gentlemen, one word as to organization. If you feel that you would like to have an organization Chairman, Secretary, etc., we shall be very glad to have you organize in that way. What are your views on that subject?

MR. W. H. STACKHOUSE (of Springfield, Ohio): I move that Mr. Sheldon be named as the presiding officer of this convention.

(The motion was duly seconded and unanimously carried.)

MR. WILLIAMS: Mr. Chairman, I move you that the present Secretary, Mr. Austin A. Burnham, act as the Secretary of this Congress.

(The motion was duly seconded and unanimously carried.)

THE CHAIRMAN: The remainder of the organization will come to you from time to time in the way of committees; such committees as you would like to have appointed, and you will then have an opportunity of selecting the men that you believe to be most desirable for those committees.

The Chairman here introduced Mr. E. Allen Frost, General Counsel of the National Business League of America, who warmly welcomed the speakers and delegates. Mr. Frost then presented statistics showing the remarkable increase of manufactures and corresponding facilities for manufacture, in the United States, and emphasized the pressing demand for larger foreign markets for surplus American products; mentioning the principal agencies that must be employed to increase our foreign trade, particularly specifying improved transportation facilities by land and sea, expert salesmanship, an elastic currency, and a thoroughly efficient foreign service.



Mr. Frost also deprecated ill-advised and ill-considered legislation that would hamper business interests and clog the natural channels of commerce. In conclusion, the speaker expressed the hope that at the termination of the Congress the delegates would be able to formulate the needs of business interests in such a clear and forceful way, in proper resolutions, that they will go a long way in securing from the Congress at Washington such legislative action as the country requires and demands, to insure an even prosperity and further enhance the international prestige of America.

THE CHAIRMAN: We have with us today, gentlemen, a Chicagoan; a thorough Chicagoan. Although he may not have taken part in the official work or the Governorship of the city, he has always been very intensely interested in not only municipal, but in State and National affairs. He is a man who, "while his companions slept, was toiling upward in the night." He has scaled the ladder of industrial and commercial advancement, until today he is at the head of one of the largest manufacturing and mercantile concerns of the kind in the West. It is my pleasure to introduce Mr. Alexander H. Revell.

## TARIFF, TRUSTS AND POLITICS.

BY ALEXANDER H. REVELL.

Mr. Chairman and Gentlemen of the National Business Congress:

America is at peace with the world. Our land is free from pestilence, strikes and famine. Crops have been abundant for a dozen years. Money is plentiful at reasonable rates. Enterprise is ready and anxious to embark on new and greater undertakings. Our resources are unlimited; our opportunities boundless.

But, in business, inaction rules where activity should prevail. Apprehension and mistrust occupy the place where justifiable optimism ought to be conspicuous. Millions of dollars of investments lie idle and unproductive; millions of willing hands are deprived of a fair opportunity to make the effort that either now, or in the future will keep the wolf from the door. Every prudent industrialist in the country is manufacturing as nearly as possible only for orders actually received, instead of making or ordering ahead the finished

work in sturdy confidence of future demands. American prosperity hesitates, and threatens to halt. What is the matter? The answer is easy:

“Tariff Tinkering!”

“Trust Busting!”

“Political Hypocrisy!”

The Republican party originated the present protective tariff system and has upheld and defended it for nearly half a century. During the same period, year after year, decade after decade, the critics of that party assailed the protective policy and went before the people demanding and pleading for “free trade,” or, “a tariff for revenue only.” Their efforts have failed. The earnest, well-meant effort of Mr. Cleveland in the direction of free trade, during his last term of office, brought about his own personal repudiation by his party, and permitted the upcoming of Mr. Bryan with his free silver nostrum in 1896.

I am not prepared to say that there are not defects in the American tariff schedules. Nothing that comes out of the hand or brain of imperfect man can be expected to be free from human defects. And, when a tariff schedule is adopted which is the result of the effort of one, and of the opposition of another, it may be expected that it will represent compromise of right with wrong, rather than the realization of idealism.

Another thing: Whatever its defects, the American people have established a method of living under our tariff system practically as the system exists today. That is to say, every business is adjusted to every other business—each is fitted to all, and all to each. Our commercial system rests upon confidence, and confidence is simply belief in the stability of existing conditions. Changes in the tariff schedule, no matter how well sustained by theoretical justice, must of necessity operate to disturb the established relationships of all industrial products one with another. When probably every impost duty in the entire tariff schedule is objected to and asked to be revised downward, or upward, by somebody or another, it may be expected that business action will await results.

The evils of “tariff tinkering” are not wholly in the changes which actually may be made in the rate of duty; for, once a change is made, business conditions adjust themselves according to the new method of living. It isn’t the actual changes: it’s the apprehension

of possible changes—the waiting to know—preparedness for the worst. Mr. Kipling, in one of his best poems, portrays the desperation of waiting:

“What makes the soldier’s heart to penk, wot makes ’im to perspire?  
It isn’t standin’ up to charge or lyin’ down to fire:  
But it’s everlastin’ waitin’ on a everlastin’ road,  
For the commissariat camel and his commissariat load.”

It isn’t accomplished tariff changes that business fears, it’s the everlastin’ “tariff tinkering” that ends in no results for those who demand revisions, but which makes business halt and stand waiting for fear something awful may happen. And, this does not mean that only those business concerns that may be hit by a tariff reduction wait for the blow to fall. It is as much a fact that those concerns which will be benefited, wait, for they cannot afford to manufacture stocks of goods or material, which, later on, they may produce at less cost.

Business is tied together—all its elements are interdependent. You might as well try to take a foot out of an Atlantic cable, a section out of a Brooklyn bridge, a stone out of an arch, or a rail out of a railroad, as to change one schedule without affecting another business. More than people realize, prosperity is a matter of business unity—not of conflict—not of uncertainty—not of failure here and success there.

Industrial uncertainty and inaction results in non-employment of wage workers. This means reduced consumption; and, this, again, operates to retard business generally. The ear of honest ignorance is too receptive to the agitator who makes it appear that the hardships of labor brought on by “tariff tinkering” are only to be relieved by more “tariff tinkering,” and more, and more.

It is not strange that the unscrupulous agitator who cares for nothing but popular support should seek to mislead the ill-advised public. It is not strange that the oft-times vanquished enemies of protection should clamor for tariff revision, and their clamor may be sincere. Were it not, however, for possibilities of agitation some politicians would have little excuse for political existence. And there are those who think that the present administration and Republican leaders are laying themselves open to the charge that they have become renegades to the faith that made their leadership possible.

But, again, this is not saying that our tariff schedules are perfect, or nearly perfect. I am not prepared to say that there should

not be a more or less sweeping revision. But, whatever is done should be done for the good of business—not for the benefit of politics or politicians. Some of our industries, protected in their infancy by the tariff, have grown strong and powerful and monopolistic. The true theory of protection is to uphold and encourage a feeble industry until it can hold its own against the world. After that it would seem that it needs but little protection.

It is difficult, without saying over-much, to enter into a discussion of specific remedies for tariff inequalities. Perhaps the existing tariff commission can be expanded from a mere advisory body into an administrative commission. Without having reached a hard and fast conclusion, it seems to me that a tariff commission, somewhat like the Interstate Commerce Commission, empowered to adjust tariffs, one with another—the same as railroad rates are now adjusted—might meet requirements. It might be wise to make it possible for those who have complaints against our tariff schedules to appeal to such a commission instead of going before the public and making the tariff the football of politics. This would be somewhat after the Canadian idea, which seems to work well.

Whilst, therefore, admitting that the various schedules of the tariff from time to time should be changed by reductions, and perhaps by an increase, there should be a reasonable stability secured when once the tariff is so changed. I favor a protective tariff as against free trade, but this is not a discussion of the relative merits of the two propositions.

It should be understood, however, that a schedule so fixed should stand over a period of at least ten years and probably up to twenty, and made almost as hard to change as it is today to get an amendment to our Constitution.

The general stability of our business conditions is more important than a change in any schedule could possibly be.

It is barely possible that if a schedule were fixed for twenty years, some very great emergency might arise calling for an increase or a decrease after five or ten years. This is what I mean by saying that the emergency would have to be of a most unusual character before the demand would be substantially presented or considered for any change within the fixed term of years.

Then there is, also, "Trust Busting!"

In this must be included all the onslaughts that are being made on capital invested in large concerns. The attitude of some leaders

is being emulated by the newly elected or appointed and untried officials in Washington, whose slogan seems to be "hit some big enterprise and be immediately known."

Sometimes action is brought under the Sherman Anti-trust law, the design being to break up and disorganize a business concern which was organized supposedly according to law, and tolerated for years without complaint or warning—and, with the Anti-trust law on the statute books all the time. Such actions to secure the dissolution of combinations are brought upon the theory that if the combination is dissolved "restored competition" will insure lower prices to the public.

It is true that the philosophizing of Adam Smith ushered in the era of competition to take the place of government regulation, which, at and before his time, prescribed the prices of commodities everywhere. And, competition was properly in order then. In those days when nails and horseshoes, and such things, were made by hand by individual workmen, competition could be relied on to be regulative of prices. But things are different now. Manufactured articles are made by machinery. Large capital, organization, and many workmen are required. To forbid combinations that enable the most economical methods of production is to make warfare on human advancement.

Undoubtedly, regulation is needed. I mean especially, that sort of regulation which punishes act by act each violation of the rule of the common law that the needs of men shall not be taken advantage of by conspiracy to collect extortionate prices. I am not inclined to believe that economic combinations are ordinarily disposed to such a policy where a virtual monopoly has not been established. Why? Simply because the manufacturer realizes that to obtain for himself the largest net income the price must be such as to induce large consumption of the article produced. That is to say, he must not make his price so high that demand will diminish, nor so low that he will sell much and make but little profit. The largest of the great combinations attacked by the government under the Anti-trust law have generally pursued this course, not perhaps, for the sake of the morals of it, but because it has been sound business policy to do so.

If unrestrained promoters and unwholesome commercial pirates will recklessly run into law-breaking after the law is fully determined, we should treat such an offender as we would any other malefactor. His offense is not against a few competitors, or a few

consumers. It is against the stability of the trade of the United States—a menace to the peace, security and happiness which proper business methods will never impair. A monetary fine alone will not restrain the offender. A fine and imprisonment, both together, will be the only punishment that will make such violators of law stop and think.

There is another feature of this phase of the subject: The action of one branch of the government is now being directed to breaking up combinations, so that "competition will regulate prices." Another branch of the government is regulating charges of railroads upon the theory that the competition which it is "restoring" will not regulate prices. Thus, it appears that the government lacks confidence in its own policies which are actually in conflict with each other.

On top of all this harassment is the net income tax which permits a government agent to examine the books of every corporation, he seeing to it, among other things, that they are not violating the Anti-Trust or Interstate Commerce Law.

The whole government proceeding is confusing and contradictory, and leads in the direction of a system of government espionage of all private affairs. And, this in a country where liberty is not to be restrained, and only the abuse of it punished!

In a recent widely published Hot Springs, Virginia, interview, the President is reported as saying that "in emergencies the government can raise the 1% corporation tax to 2% or 3%." Unfortunately this is too true.

All values in this country are behind the government in great emergencies, and all values should be. But why call explicit attention, with pride in the utterance, to the accomplishment of so grand a work, which places a part—understand a part—of industry in this country, that is already paying 1%, in the hands of the government to further assess 2% or 3%, perhaps 10% or 20% of their profits?

Why "rub it in" as the street phrase allows us to say, calling unnecessary attention to the instability of corporation profits, when he must be aware, that right or wrong, the present corporation tax is nothing more than class legislation—partnerships and private ownerships being free of such taxation?

Although nearly three weeks have elapsed, we have been looking in vain for some modification or denial of that part of the interview.

Indirectly this strenuous zeal we are criticising, in effect, tells investors that they are not safe if they put their money into any enterprise which promises to pay more than 4%. If the political statesmen keep on, we will soon begin to think they are right.

All my life I have been a Republican and have learned to look to the Republican party and Republican officials to safeguard the "general welfare." The Republican party sprang into being upon the great moral issue of human liberty. It conducted the war against Secession and, in doing so, allied with itself the business interests of the north. Finally, the war ended, it continued in power, devoting itself to maintaining the financial credit of the nation, the development of our industries and the extension of our commerce. I think you will agree with me, regardless of party affiliations, that a great majority of the people came to regard Republican success as an assurance of prosperous times.

But now conditions have changed, and, as if accepting the criticism of its traditional rival as justifiable, Republican officials at Washington are running amuck, and the business interests of the country are paralyzed with apprehension lest the hand that fostered and protected them in the past shall strike them down in the future. After about eight years of crusade, wherein much excellent work has been accomplished, which work—permit me to say—I would not undo if I could, the present "trust busting" policy at Washington lacks discretion, business discernment and common sense. It lacks the support of real republicans. It looks like a superabundance of legal, and a dearth of practical intelligence.

The suits against the tobacco trust and the oil corporation were justifiable, and on account of most flagrant and unjust competition could not and should not have been avoided. They were a natural and proper outcome of the crusade which had gone before. It is hard to see, however, where the direct good is coming to the public. The recent suit begun against a great industrial corporation was merely the culmination of a series of ill-timed and ill-considered, seemingly political, attacks upon the greater business interests of the country. These assaults, if they are really sincerely devised, are designed to revive the conditions of competition that existed before the combinations were brought about.

Even if the suits are successful it is not possible for us to go back to the old days of ruinous competition. We have evolved out of the unwholesome practice of cut-throat commercial warfare.

Business intelligence and conservatism is now such that competition would not be carried on even if all the combinations were dissolved. And, the people do not want the old system.

Do they want a railroad policy on which passengers and freight will have to be transferred at state lines, under which prices of stocks of goods will be uncertain and indeterminate?

We hear much about "monopoly." What is monopoly? The Democrats in 1908 declared in effect that monopoly should be considered the control of 50 per cent of a given industry. Are the Republicans going to accept the Democratic dictum? And, what is to be feared from monopoly? I have already touched upon this point, but will add that a monopoly is dangerous, because it has the power to charge extortionate prices. Now then, if a monopoly charges excessive prices, it ought to be dealt with on the basis of the criminality of its specific acts of oppression. A great business organization should not be torn asunder and destroyed because perchance some official of it might possibly, by an unlawful exercise of his power, demand extortionate prices. In case of monopoly we have regulation to fall back upon.

In European countries monopoly, trusts, or what are called "groupements" in one nation and "cartels" in another, are encouraged by the governments. In America the economic wisdom—the saving—of combinations seems to be wholly lost sight of. The great combination is an economic unit—the form in which productive results can be most economically produced, and it ought to be protected, as far as it is right, and not be destroyed. The great American industrial combinations are competing in, and conquering the markets of the world. If we wish to go into the laws of nature, we find combination.

What has helped to make this nation one of the biggest and greatest on earth? It came through combination, centralization, economizing the cost of administration and protection.

If the arguments which have recently been made by the latter day statesmen mean anything, the Louisiana Purchase should never have been made—these forty-five states should never have been combined or permitted to blossom into one grand republic. It was in restraint of the growth and expansion of other nations—a killing off of competition—an acquisition of territory which should have been left to weaker or distant nations.



Another thing: In all this talk about offenses against the law it is estimated that less than three per cent of the business interests of the country are even under government suspicion. And, because of this complaint of three per cent, the other ninety-seven per cent of business is powerless to proceed, or if it does, it is at a snail's pace. It does not answer the question nor ameliorate the business situation to know that the small concerns, which too often have promoted this fight against the large ones, are now common sufferers with those upon whom they have brought down the wrath of an impossible law.

That the country has been able to do so well during the long drawn out crusade is the surprising feature. It only still further emphasizes the fact that the basis of this country's values and the inherent energy put forth by those who are doing its every day work compels some good results in spite of those who constantly plot to further aggravate the situation.

But all this does not mean that, its own interests alone considered, great business concerns should not be regulated, and saved from ruinous internecine strife. Look what regulation has done for banking. Does any banker want to go back to wildcat banking? Does any insurance man want a return of the days of graveyard insurance? As in the matter of tariff, regulation is not so much a question of method as of motive. Regulation should be for the sake of greater stability—not for the convenience of politics. I will not attempt to prescribe a plan; but, there are some general principles which must not be lost sight of in any governmental regulation. In my view, the following are important:

Uniform accounts, and rational publicity of accounts.

Increase, or other changes of capitalization, only on permission of government through its proper department.

Stock exchanges not to be permitted to traffic in securities not authorized by the government. Mails also might exclude them.

Corporations not to enter into combinations or pools without specific government authorization.

The government, through its agents, to have authority to inspect all corporation papers and contracts.

Complaints as to unjust and unwholesome competition to have immediate investigation under proper rulings or restrictions.

In the case of tariff-protected concerns, the government to have a right to see to it that the benefits of protection are fairly divided between the public, capital and labor, as declared for in the national party platforms.

I am aware that the reply to what I have said about enforcing the law is, that, "We must enforce the Anti-trust law because it is law." In fact the President has expressed himself over and over again as determined to enforce it, as if to do so were a virtue beyond criticism. Lawyers have been known to fit a law to any desired situation. I believe in law. I believe in the enforcement of law, but the manner of administration of law should be tempered with wisdom and discretion. The United States government was formed especially to promote the "general welfare," and our courts have many times set aside laws that were constitutionally valid merely on the ground that they were against public policy. Any executive officer can go fast or slow in the enforcement of laws; and, in fact, no regulative law is ever enacted with the wish or expectation that it will be drastically enforced—enforced with such completeness or suddenness as to disorganize existing conditions. Sometimes one can be "so just as to be terribly cruel."

We may now recall with profit that the "higher law" of human liberty induced the Republican state governments of the North to refuse, or fail to enforce the Fugitive Slave laws. The Greenback policy, which saved the Union, was held to be at variance with the Constitution, until a revised and augmented Supreme Court decided differently.

And, while on the matter of discretion let me say that no administration for fifty years has had the temerity to see to it that the Constitution, giving the negro a right to a free and unrestricted ballot, was enforced.

Consider how long the Interstate Commerce Commission has been enforcing the safety appliance laws. It may be averred that the Anti-trust law has been on the statute books for twenty years. This is true; but it is, also, a fact that until 1903 it was not seriously regarded as applying to railroads. And, after that it was not understood that it actually forbade the combinations that have grown up under it. By not enforcing it, by not indicating the extent of its supposed application, the government has given tacit consent to every combination that has been formed. Justification for the dismemberment of great business organizations and injury of their

stockholders, is not established by the mere fact that the government has the power to do thus and so. Justification for impetuous zeal in enforcing the Anti-trust law would only arise from the fact that the public welfare imperatively demands enforcement. By the same sign, the English rule of "go-slow" may properly be applied. Instead of enforcing it as hard as possible, it should be enforced with as little destructive effect as possible.\*

The average successful manufacturer is the man who made a dollar for each ten dollars he put into the business, and who in turn put that dollar, and as many more as he could borrow, right back into the business. We will say that over a long period of years he has builded a fifty or a hundred thousand dollar, a million or a ten million dollar concern. As an average proposition, he or his associates cannot sell the plant if they try. It is a going concern. They must keep it going to get anything out of it, and when the lean years come, it is—if you will permit me to borrow another expression from the street—"a lemon."

The efforts of a statesman should be to assist in avoiding lean years and encourage the other kind. The man who takes raw material, and by the employment of labor, makes it into a thing of value, who, in good years plans an overhead expense, commensurate with a judicious faith and optimism in his enterprise and in his country, is the man who is hardest hit by the political ambitions, or the desire for notoriety of some of our so-called statesmen and office holders.

In making these criticisms, it would, perhaps be well to say that I have been in full sympathy with Roosevelt and Taft in their best efforts to round up the business field; we have helped fight their battles and used their arguments, but the present decade has had about all it can stand. In common with millions of others, I am tired of it, and believe that the average honest business man of the nation should *now* be given a chance to live a portion of his life free from mischievous and unproductive interference.

Hundreds of thousands of manufacturers are coming to believe that there is now more politics and hypocrisy in it all than there is of the Spartan honesty Washington would have us think; and they object to carrying the burden any longer.

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\*Be sure and read Ex-Senator Edmunds' splendid article in the December North American Review. Ex-Senator Edmunds was the author of the Sherman Antitrust law.

We believe that with a deeper thought, with a more statesman-like, a more progressively constructive ability than has been shown, we could, with the new and honest business conditions already secured as our basis, regain, before it is too late, the benefits of prosperity to all the people.

The present administration confronts the possibility—some believe, certainty—of defeat, if iron-handed enforcement of disorganizing commercial legislation is continued. The people look at results as reflected in the business conditions of the country. They have little excuse, but much condemnation, for hard times.

Sound advice to manufacturers and business men everywhere is—organize—keep your eye on your congressman and your senator, to say nothing of a few others in Washington. Don't judge them on one vote or two, but the moment you decide that the inclination is to play politics, try to reform them. Better reform than defeat. Your next man could also be a hypocritical saint. After making the effort, however, your full duty has been fulfilled. If he prefers and continues the game you object to, start at once; don't wait. Defeat him at the next primary or main election. A few friends of the "honorable statesman" who have received favors, perhaps against the public interest, will oppose you and help the official. Don't mind that. They are the most senseless of all men engaged in industry.

Locate some of the industries today, which are or have been under fire of the government, and you will find those who are notorious for the acceptance of political favors in the past. They are receiving the only and eventual reward of "truckling" to politicians who favor them, when that favor is against the people. And if we manufacturers are selfish in the demands we make upon our representatives, we, in turn, will and should receive a like chastening.

The speaker believes that it will not be long before the names "Republican" and "Democrat" as applied to parties will be merely a memory; the names mean nothing today. The principles of Republicanism and Democracy have been established; they are no longer an issue. It has become the desire of those who are "in" to stay "in," and those who are "out" to get "in." The "outs" promulgate a proposition and the "ins" will try to go them one better, and vice versa.

In former days the Republican party was the conservative party; the Democrats the radicals, and it was not a bad division.

Any nation should have at least two, and possibly three parties. If two, it would be as Conservatives and Radicals.; if three, the Conservatives, the Liberals, and the Radicals. Then the parties would undoubtedly endeavor to live up to the names and be a check on each other. In fighting for their principles, they should be willing at times to go down in defeat, sticking to their guns. It is the only way apparently to emphasize the fact that much of the promise and agitation of those who are out, is in reality a dishonest effort to manufacture discontent with the incumbent party. Real patriots would not be moved by any appeal from the mob or moneyed influence which sought to destroy the fundamental policy of their party. If value there be in a new and untried policy, permanent success for the victorious party would show it.

It is my conclusion, therefore, that we should work—

For—A more stable tariff schedule.

For—An amended Sherman law.

For—A complete working regulation and not a “Busting of Trusts.”

For—The defeat of self-seeking political agitators who continually make for disorder in industry.

For—Party names in politics that will mean something, or fairly stable party principles that we can hew to.

For—A single six or an eight-year term for President.

For—An established sentiment that will not tolerate in the future the comparatively new and increasing practice of a President leaving Washington on short or long trips, the apparent purpose of which is politics.

For—A preparation, legally, commercially and politically, to handle American industry in a comprehensive far-reaching way.

The retrogressive ideas we criticise, hark back to a day that is dead, and make in favor of the oldest trust of all—the Mummy Trust.

Today, between the grinding stones of ambition, politics and hypocrisy—with the tariff and trust agitation as added emery—the average manufacturer of this country is lost; and at the bottom, bearing it all, are the people—the real sufferers.

With the beginning of the present congress, let us hope and pray for a brighter day. In the broadest sense we must work for man, for law, for country, for co-operation, for good-will and for industry. There is a world-wide work to do. It is a noble and in-

spiring labor. Without the handicaps we have been constantly compelled to face, we, of the United States, CAN, WE WILL, WE MUST take and bear our full share. (Applause.)

THE CHAIRMAN: We have carried out our morning program, gentlemen, and unless you have some objection, we will adjourn until 2:30 this afternoon.

MR. FROST: Mr. Chairman, one moment. I believe the Chairman of the Entertainment Committee has an announcement he desires to make, or perhaps I can make it for him. He will be in Room 10 at the conclusion of the exercises this morning, and will there distribute tickets for the theater tonight. All of the delegates and the speakers are cordially invited to meet Mr. Bode after adjournment, in Room 10, outside the Gold Room.

MR. T. M. SECHLER (of Moline, Illinois): Mr. Chairman: The reference by our speaker to the Income Tax as class legislation calls to mind the rather masterful decision of our Supreme Court when it half-way reversed its decision of twenty years before on the Income Tax. The position, practically, is this: A tax on income is not an income tax if it is discriminatory; but if it is uniform, as provided by the Constitution, it is unconstitutional. I think we are pretty good American citizens if we do not lose any measure of our respect for that august body.

The meeting adjourned until 2:30 o'clock p. m.

## SECOND SESSION.

MONDAY, DECEMBER 11, 1911.

2:30 o'clock P. M.

The meeting was called to order by Chairman Sheldon.

THE CHAIRMAN: The Chairman of the Entertainment Committee, gentlemen, will explain to you what he has in mind for your entertainment.

MR. BODE: Mr. Chairman, and Gentlemen, Delegates and Friends: The Entertainment Committee have arranged to entertain you this evening at the Chicago Opera House, where will be given "Gipsy Love" by a very eminent artist. We trust you will avail yourselves of the opportunity of attending this affair, and tickets are at your disposal in Room No. 10, where I will be pleased to hand them out. In addition to that, there will be an entertainment tomorrow evening. The Chicago Grand Opera Company will present "Samson and Delilah." We do not wish you to take a ticket for yourself only, but if you have a lady here we will be pleased to extend the invitation to her as well. Further than that, there will be a banquet on Wednesday evening. I trust most of you have secured tickets for that; if not, if you will present yourselves to Secretary Burnham, he will be glad to present tickets to you.

(Applause.)

THE CHAIRMAN: Gentlemen, the first speaker of the afternoon is Mr. Henry M. Wallis, of Racine, Wisconsin, Chairman of the State Legislation Committee of the National Implement and Vehicle Association, who will address you on THE NECESSITY FOR THE BUSINESS MAN IN POLITICS.

Mr. Chairman and Gentlemen: It is an honor and a privilege of which I am deeply sensible to be invited to address a meeting of representative business men such as are gathered here today under the auspices of the National Business League of America. I appear before you not entirely in an individual capacity, but as the representative of the National Association of Implement and Vehicle Manufacturers, an organization employing some 55,000 employes, and representing business interests of upwards of \$300,000,000.00; an organization representative in its membership of the best

that there is, large as well as small, in their allied lines, and an organization which has already expressed itself upon the subject of my address—"The Necessity for the Business Man in Politics."

At a meeting of the National Implement and Vehicle Association, held in this room on October 17th, 18th and 19th, of this year, the following resolution, introduced by me as Chairman of the States' Legislation Committee, was unanimously adopted:

WHEREAS, In the minds of many men the present day trend of legislation is becoming inimical to the welfare and best interests of the people, because upon business prosperity hinges the prosperity of the wage-earner, the farmer and others, and that therefore it is time for all good citizens to unite in opposing further unfair and unreasonable legislation; and

WHEREAS, The continued unjust and unreasonable attacks upon business interests and persons prominently connected therewith, regardless of the effort on the part of the business men generally, to comply with and govern their respective businesses according to law; therefore be it

*Resolved*, That the President of this Association be authorized to appoint a committee of five members to be known as the committee on political action, for the primary object of interesting other organizations to appoint similar committees, and when such committees are appointed, to obtain a joint meeting of all the committees so appointed, for the purpose of considering ways and means and recommendation to their respective organizations for further action.

Do not mistake, gentlemen, the object of the appointment of this committee on Political Action. It is in no sense partisan. Our organization is strictly non-partisan, but the time has arrived in the judgment of our Association, when business men should unite for political action in its broad sense.

Heretofore the business man has been in politics spasmodically, if at all, as he was in 1896, the result of which memorable campaign you all know. It was a glorious victory for the cause, around which, and to the support of which, business men of this country rallied.

The situation today is, I admit, a more complicated one for business men generally to unite upon. In 1896 we had before us a well-defined, specific issue, upon which the two great politi-



cal parties were divided, and the business interests were rallied under the banner of the party which stood for the maintenance of the gold standard, but the fundamental cause which aroused us was the fact that we deemed our business interests in jeopardy; and so I take it we are gathered here today because, again, we recognize that our respective businesses are being menaced by some, if not many, of the present-day political theories, and because of the further fact that since 1896 too many of the business men of this country have been neglecting their political business.

I know well the antipathy felt by the average business man today being mixed up in politics. He feels that he has no time for it, is not fitted for it, and is thoroughly disgusted with it. These sentiments I fully share, but feel their lack of sound reasoning, and regard them in the nature of an excuse. As business men accustomed to analyzing situations, drawing conclusions and acting, what shall we do about the situation? Shall we sit still and allow the demagogue and the politician to continue to sway public opinion and control legislation? Or shall we in the future have something concrete to say as to the laws that shall be enacted, governing and affecting our business and the commerce of this great nation? If the answer is in the affirmative, how shall we proceed?

This is a serious question. The field is large, the ramifications many, and, before attempting recommendations, I desire to present for analysis certain phases of the situation confronting us.

It is generally conceded by business men that there is too much agitation, sensation and political legislation. Much of this is due to the lack of business ability in our legislative bodies. There are too many incompetent legislators, and, in proportion to business men, too many lawyers making, or seeking to make, laws for us. We need more business men in Congress, and in the State Legislatures, if we are to have clear, well-defined, workable laws, without jokers—laws which can readily be interpreted and under which we can intelligently conduct our business according to law, which business men generally are not only willing but anxious to do.

The present-day trend of legislation, National and State, is to regulate every function and activity of life by statutory enactment, and, as indicative of the law-making craze sweeping this country, it may be of interest for you to know the number of bills introduced and enacted into laws in some of the states in which legislative ses-

sions have been held during the past year. In the state of Nebraska there were 1,000 bills introduced, 227 of which were enacted into laws:

Indiana .....	1,200 introduced,	292 enacted into laws.
Wisconsin.....	1,690 introduced,	665 enacted into laws.
Missouri .....	1,728 introduced,	229 enacted into laws.
Massachusetts .....	3,594 introduced,	1,394 enacted into laws.
(Massachusetts has a legislative session every year.)		
New York .....	3,628 introduced,	869 enacted into laws.
Pennsylvania .....	1,900 introduced,	847 enacted into laws.

Other states have been more or less prolific. In Oklahoma recently a law has been passed regulating the length of hotel bed sheets. Massachusetts enacted a law making it a crime punishable by a fine of \$100.00 for an employer to employ a woman two weeks before or four weeks after child-birth. These instances sufficiently illustrate the law-making craze which is sweeping these states; a like tendency also animates our National Legislative body.

We have heard a great deal about "Undigested Securities of Wall Street." It occurs to me that we have much undigested legislation, and we should be given an opportunity to Fletcherize before having another batch to contend with.

What we need at present, and one of the things which it seems to me the business man should stand for is sane, economic and constructive legislation as against the sentimentalism which has resulted in political, rather than economic and constructive legislation. In other words, some political agitator is struck by a brilliant vote-getting idea, which he launches with great eclat and with little regard for the underlying basic, economic principles. This is rushed through the legislature as a hastily drawn, vote-getting measure, and too often becomes enacted into law, regardless of its effects upon the business interests of the country.

There is one law which is of particular interest to every employer of labor, namely: "The Workmen's Compensation Act," which has been enacted by various states. I want to direct your attention particularly to this Act, because of the general consideration now being given by nearly all of the states to the passage of some form of "Workmen's Compensation Act" and to the necessity for awakening to active interest in the operation of these laws in the states where they have been enacted and the directing of correct legislation in the states where such laws have not, as yet, been enacted,

and as well as to preparation for dealing with the amendments which are sure to follow, which amendments under the leadership of politicians will result in so enlarging the scope of these laws that we may find ourselves operating under conditions as bad, or worse than those now existing in England. The scope of Compensation Acts has been extended in England to such an extent that in some respects it has become ludicrous. As illustrative of the changes which have taken place there during the past decade, permit me to quote from the work of Thomas Leaming, entitled, "A Philadelphia Lawyer in the London Courts," in the concluding chapter of which he says:

"Both the public opinion and the law of England were for generations characterized by the quality of conservatism. The various reform Acts, starting in 1812, marked the advent of an epoch of individualism which lasted for over fifty years, and made England a land where personal liberty and private property were, perhaps, safer than ever before in the World's history. It was a country where the government's chief concern, was to furnish irreproachable courts, competent police, and few but honest civil servants, so that each man might pursue happiness after his own fashion, and with the least possible interference and yet with complete confidence that he could assert his rights effectively when invaded. Hence, it was that America learned to look to England for precedents.

"All this is changing. The substitution of the doctrines of collectivism for those of individualism began in 1885, and it proceeds rapidly in many directions. The Socialistic harangues one hears from vagabonds, mounted on benches in Hyde Park, are delivered without interference by the police. The spreading of discontent by paid agitators proceeds at the market crosses and in the taverns of the villages between elections. Later the politicians appear and solicit votes for impossible schemes, an increasing proportion of which are actually adopted by Parliament, and of which the laws regulating liability for personal injuries, attacks upon land, and other forms of poverty, old age pensions and methods of public education furnish typical examples."

Here we desire to call your attention particularly to what the author has to say with reference to Employers' Liability Acts.

"The first Workingmen's Compensation and Employers' Liability Acts were tentative steps, but laws quickly followed extending the liability and reducing the defenses, particularly in the matter of

contributory negligence. A law recently went into effect making every man liable for an injury sustained by any person—not necessarily his servant—while in the house or factory, or on his land or ship, irrespective of any fault on his part, and notwithstanding the contributory negligence of the injured person, unless the latter is intentional—suicidal.

“In addition, the last Act created another and unheard of form of liability for an employer, requiring him to compensate his servant, if the latter falls ill or dies of an ‘industrial disease’—a list of which diseases was appended to the Act—and with the extraordinary provision that, having paid the compensation, the employer may sue any former employer for the amount, if he can prove the servant actually contracted the complaint in the earlier service and within ten years. Of course, universal accident liability insurance followed, the cost of which must be borne by the proprietor, and, if he is a manufacturer, eventually by the consumer. As may be imagined, such laws give rise to surprising results. The report of one of the great accident liability insurance companies made shortly after the passage of this law exhibited, for example, the recovery of damages by a domestic servant, who, while eating a meal, had swallowed her own false teeth; another had contrived to swallow a curtain hook; a third was burned by the bed clothes taking fire from a hot iron which she had wrapped in flannel for the purpose of warming herself. A footman was bitten while attempting to extract a cat from the jaws of a dog; a nursemaid was burnt by letting off fireworks in a back garden at a private celebration of the servants during the master’s absence, and a cook had her eyes scratched by the housemaid.”

At the present time we are experiencing in America a few touches of the “Doctrine of Collectivism,” although it is known by a different name—Insurgency, and in these latter days “Progressivism”—and found in both parties.

If any business man here thinks that we are going to escape, in this country, the experience which England is going through, and that the politicians will overlook any precedents gathered therefrom, he is more optimistic than I am, and I would recommend that he form some personal acquaintance with the attitude of his own legislators, and, if he does, I predict the same surprises in store for him which the members of the various legislative committees have experienced, and that it will be found that there is a game going on

which is not being conducted with a special regard for the interests which we represent, nor will there by any particular desire evidenced on the part of the political representatives to enlighten you upon things going on in the committees and the lobby. Not all representatives, of course, are thus disposed. One State Senator said to a member of my committee: "I have been aware of the trend of legislation for the past ten years, or more. It is time that you and the interests you represent were waking up, and when the present legislature gets through with you, I think that you will be awake." I hope, gentlemen, that the senator's prediction will prove true, and that business men, generally, have had sufficient adverse legislation to thoroughly arouse them, though it seems to take a political earthquake to bring us to action. We have had some shocks recently, and the man with his ear to the ground again hears rumblings. The important question is, will the business man act in time to avert the political earthquake impending?

Another phase of legislation which needs our serious attention is (1) The Income Tax, state as well as federal, (2) The Inheritance Tax, and, in some states, (3) County Taxation on Foreign Corporations. In the State of Arkansas, in the County of Arkansas, last spring, the Board of Review investigated the county records and arbitrarily taxed chattel mortgages, and other evidence of indebtedness against several foreign corporations, notwithstanding that they were maintaining branch houses and paying personal property taxes into the County Treasury. One of the parties so taxed, being a member of our Association, we are now making a test case of same.

The attitude of labor and the Socialistic tendencies with which we are confronted, demand our presence in the field of politics, for when the labor demagogue and his sympathizer seek to say to one class of citizens, "You shall not be employed without our sanction and the card of our Association," and to another class, "You shall not employ labor that does not submit to our tactics and carry our Union card," he violates one of the cardinal and fundamental principles of the Constitution. While recent events in Los Angeles have clarified the labor situation, they emphasize, rather than lessen the necessity for the business man in politics; for if, as a result of the confession of the McNamara brothers, the use of dynamite and brute force as a weapon of warfare is abandoned, the labor demagogue will seek with renewed effort, the enactment of class legislation.

For some time past this type of lobbyist has been active in nearly every state capitol and at Washington, and has not hesitated in his endeavor to make the power of his organization felt on all political questions, nor to instill into the mind of the politician, the fact that he has the votes with which to back up his demands, just or unjust.

While many business men today do not deny the right of labor to organize, nor object to legitimate unionism, they do object to the militant unionism of some leaders and their sympathizers, just as they would object to the church militant in politics. Neither the one nor the other has the right to dominate the free institutions of this glorious republic. That the "Labor Union Militant" is not an idle term, many of us who have had experience in labor disputes fully realize, and the public is daily gaining a knowledge of the true inwardness of the situation, notwithstanding the credulity of Mr. Gompers. The Chicago Record-Herald, which published a statement of his being astounded, gave in the same issue a list of some sixty-seven dynamite explosions charged to iron workers, and extending over a period of the past eight years. Had the McNamara case been the first instance in which violence has been charged against Unionism, Gompers' credulity might be more easily understood, and accepted by a disinterested public. Business men who have had experience in strikes can tell of many instances of violence, minor, of course, in comparison with the dastardly acts of the McNamara brothers, but repellent, nevertheless, to the average, fair-minded American citizen; and, while I do not hold the rank and file of labor responsible for these acts of violence, save by their silence in the past, and apparent lack of effort to stamp them out, I do maintain that none but prejudiced parties can believe that the McNamara brothers acted of their own volition, or at their own expense. It costs money to conduct secret destructive campaigns such as theirs. Where did this money come from? It is significant that these outrages have been committed in nearly every instance where there has been conflict with union labor. I sincerely trust that all guilty parties, whoever they may be, will be discovered and brought before the bar of justice. There are no words strong enough with which to condemn the tinkering journalist who, seeking to create a public sentiment in favor of cold-blooded murderers, publishes a statement such as Lincoln Steffens is reported to have made: "They think they are serving a cause, that they are fighters in a war; and they

are." Yes, a war of anarchy, but not a war in the interest of good government, nor labor, nor of any class of citizenship. Fortunately, Judge Bordwell's denial of the part which Steffens claimed to have played, has consigned him, to use Grover Cleveland's phrase, to innocuous desuetude, and there we may let him rest. I feel that this country owes a debt of gratitude to District Attorney Frederickson, and to Judge Bordwell, and that their names will go down in history in the annals of jurisprudence of this country. The men who lost their lives are the martyrs, and the sympathy of the public should go out to their families and friends.

If the incidents to which I have just referred have not stripped the mask from the labor demagogue and his sympathizer and allowed the public to realize fully what, in the minds of many thinking men, has been the animus back of their pernicious activity, namely to rule or to ruin, then let the campaign of education continue until the public is fully awake.

Trade unionism, in its system of apprentices, is thoroughly unpatriotic. To illustrate: In order to increase the wages of a comparatively small number of men—small in comparison to the vast army outside the ranks of unionism—they limit the number of boys or men in their respective trades to:

In the Carpenters' trade, 1 to 10.

Marble Cutters, 1 to 10.

Moulders, 1 to 8.

Printers, 1 to 5.

Plumbers practically admit no apprentices, but have what are called "helpers."

Plasterers ballot for each apprentice, and experience, it is explained, shows that nearly every one is black-balled.

The effect of this is that the labor union is maintaining a first-class monopoly in restraint of trade, and, in order to divert the public mind from their monopoly, they are loud in their denunciation of capital and trusts. Capital may have many sins to answer for, but it has not yet been guilty of such a selfish, vicious, and short-sighted policy as that of closing the industrial avenues to the growing youth of this country.

In New York state alone, statistics show that there are about 150,000 boys between the ages of 16 and 20 loafing. Such a condition ought not to exist, and business men cannot shirk their responsibility for resultant conditions if this is allowed to continue.

It is no wonder that Mr. Gompers and his associates are now seeking to have the labor unions exempt from the provisions of the Sherman Anti-trust Act, and that Mr. Hughes, of New Jersey, representing the demands of organized labor, proposes to exempt agricultural, horticultural and labor combinations from the provisions of the Sherman Act.

Somewhat in connection with this there is an excellent editorial in the Chicago Tribune of December 4th, headed, "Healthy, Good-tempered Boys." It is too long to embody in this address, but I recommend those who have not read it to do so.

It has been my aim to present for your consideration and analysis certain phases of the present state and national situation pointing to the necessity of the business man in politics. I understand there is to be a free discussion upon this floor, and I wish to present, in closing, recommendations relative to a general line of policy which may be pursued. As specific issues are taken up for discussion, issues such as the Sherman law, its amendment or repeal, a national incorporation law, or a federal license law, and other kindred issues, we shall find much difference of opinion and difficulty in unanimity of action, but my recommendation is that we endeavor as a result of our deliberations to evolve a concrete business policy, which shall be sufficiently broad in its scope to constitute a business platform upon which business men will rally, and for which they will fight to the extent of having it inserted in a plank in the platforms of both political parties. President Taft, in his Olympia speech, said recently: "It is certainly hard to determine these days who is a Republican and who is a Democrat." And the average business man, as he listens to the present day doctrine of Republicanism or Democracy, often wonders if the one is not slipping to the saddle of the donkey and the other climbing the tail of the elephant. I recommend, therefore, a business man's platform to be inserted as a plank in the platform of each political party in order that our forces may not be split into parties and groups, and for the further reason that, since the issues of the day are being dealt with in much the same way by both parties, we are the target for both.

We may have confidence in the ultimate success of our endeavor to form a business platform from the fact that some 20,000 bankers, at their recent meeting in New Orleans, reached an agreement on an important question, the plan for a Central Reserve As-



sociation, and I suggest that this may be one issue on which we can agree and take as one of our planks.

As a final result of our deliberations, gentlemen, I hope that we shall evolve a policy sufficiently broad in scope to unite the business men, and keep us safely building upon the foundation structure of our Constitution, as opposed to the quicksands of many of the present day political theories. I am not among those who think we have outgrown the Constitution. The words of Alexander Hamilton are still pertinent, and might well have been written on the conditions of today instead of those of 130 years ago. He says in one of his Federalist papers: "A dangerous ambition more often lurks behind the specious mask of zeal for the rights of the people than under the forbidden mask of zeal for the firmness and efficiency of government. History will teach us that the former has been found a much more certain road toward the introduction of despotism than the latter, and of those men who have overturned the liberties of republics, the greatest number have begun their career by paying obsequious court to the people, commencing demagogues and ending tyrants."

Thus in the words just quoted does Hamilton uncover to us as we heed it an old new danger. We have become so accustomed to the present day political demagogue that we have grown careless and heedless of his warning that the demagogue of today may become the tyrant of tomorrow. It is my deep-seated conviction that the welfare of this republic demands now the steadying hand of the man of intelligence and affairs, and therefore this appeal is made for the business man in politics, and is directed to man, not interests, to the men of this country—in the broad sense of Bobby Burns, "A man's a man for a' that and a' that"; in that broad sense of Henry George when he said: "I am for men"; in the broad sense of David Hill when, in dealing with the ideal, he once said, "I am a Democrat." And in the still greater and broader sense in which each and every one of us may say, "I am an American, standing for the traditions of my forebears and the constitution for a greater and nobler republic."

(Applause.)

THE CHAIRMAN: Is there any discussion desired, gentlemen, on the subject of this last address? If not, we will proceed to the next.

MR. DURAND: Mr. President, is it generally understood about that discussion, whether each paper is to be discussed immediately after it, or set apart a certain time for the discussion of the different subjects, allowing so much for each?

THE CHAIRMAN: My idea was, Mr. Durand, to give both opportunities. It seems to me, gentlemen, that if there is any discussion to take place in connection with these subjects, that it ought to be done as we go along; that is my judgment. But in this particular instance there does not seem to be any desire to discuss the subject. Therefore, we will proceed to the next subject.

One of the most important subjects which we have on our list for discussion is that of Merchant Marine. When I say Merchant Marine, I mean Merchant Marine which will fly the flag of the United States. One of our Board of Directors has devoted a great amount of time and study to this subject, and he is here this afternoon to give you the result of his study, and his views. Ladies and gentlemen, Mr. Rosenthal. (Applause.)

## HOW TO GET A MERCHANT MARINE.

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BY BENJAMIN J. ROSENTHAL.

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Mr. Chairman and Gentlemen:

At the outset I want to place before you a few pungent facts, so that you may better follow my remarks.

Our foreign trade amounts to over \$3,500,000,000 annually. About ninety-three per cent of it is carried by foreign ships. These ships belong to conferences, pools or combines. There is no competition. Rates are fixed abroad by agreement, and the United States is terribly discriminated against by this combine. Our commerce is absolutely at its mercy. In order to appreciate the gravity of this situation I suggest that you read the Congressional Record containing the speech of the Honorable William E. Humphrey in the Sixty-first Congress, and study the exhibits that he presented to Congress, showing the discrimination against the United States by this foreign conference, or pool, and showing the tremendous power which this pool possesses. Not only does this foreign conference fix the rates, but it furnishes the United States, especially for its South American

export business, the worst of its ships, slow and antiquated, and this accounts in a large measure for the fact that the European countries sell so many more goods in South America than we do, for the finest vessels that run between here and South America make but thirteen knots an hour and take about a month to go from New York to Buenos Ayres, and aside from that the rate established by the conference for this miserable service is considerably higher than that between Europe and South America in up-to-date vessels. A merchant in South America sending an order to us cannot possibly get delivery within three months, hence he sends his orders to Europe, where he can get prompt service. Notwithstanding that the same conference operates and controls both lines of steamships, we get the very worst at the highest rate. If you will look over the sailing lists of vessels from the United States to Buenos Ayres and from Europe to the same place you will be appalled at the situation. If a South American wants to come to the United States, how does he come? Why, by way of Europe. And why does he go first to Europe to get to us? Because he can get here by going via Europe more quickly and in a first-class steamer. By the time he arrives he has bought most of his goods abroad. How can we ask a merchant down there to respect us when he hardly knows we exist, for not a single American steamship is now running on any of the long routes to South America? It is getting so now, that American manufacturers, in order to meet this difficulty, are establishing factories in Europe so as to compete with the foreigner in getting the South American trade, shipping from Europe to South America. Is not this a ridiculous situation? And the foreign steamship trust is responsible for these conditions, and we sit supinely by and allow this plundering to continue. And then we hold Pan-American conferences and ask the South American why he does not patronize us more liberally!

The records show that these pools have steadily increased the freight rates from the United States to foreign ports more than five hundred per cent in some instances. They have been known to bring a cargo from Europe to Seattle for \$1.50 a ton and then demand \$6.90 for a return cargo between the same points, because the conference had fixed that rate, and if they could not get it the ship was obliged to go back empty handed. These facts may be disputed, but the records are on file in Washington and cannot be denied. We have American lines in the Pacific to which we pay a

ship subsidy, and the evidence even shows that these lines, probably in self-defense, have been obliged to join these conferences.

Who are the principal stockholders of this giant ship combine, the greatest combination in the world? Why, the big European shippers, of course. And do you blame them for trying to stifle American competition by establishing discriminatory rates and by giving us the worst and slowest ships?

The world today is engaged in a commercial war, and the greatest nation will be the one that is most extensively engaged in trade, for a nation that neglects this important feature cannot long remain a first-class nation. This country is undoubtedly the richest in the world. We have greater natural resources and we have more to sell than any other nation, and to keep our great country at the front we must first of all protect it commercially. This nation should always be the greatest commercial nation in the world. This government is justified in resorting to every honorable means to maintain that position, and so long as it is maintained we need have no fear of the country's safety or of its progress. Our flag today is but a memory outside of this country. We pay nearly a million a day to foreign ships for carrying our commerce. We have over a hundred thousand less tons of shipping engaged in over-sea commerce than we had one hundred years ago when our nation was scarcely recognized. What we need—and I am sure there is no one within the sound of my voice who will dispute it—is direct and regular lines of communication between our nation and other nations; and these lines must be controlled by our nation, so that no discrimination can possibly be made against us; and they must carry our flag. When this is accomplished our foreign commerce will jump by leaps and bounds and our prestige abroad will be greatly enhanced. Every ship of our nation touching the shores of a foreign country will advertise us.

The history of the commercial progress of foreign nations—and this means of their progress and greatness *among* nations, for any nation that is commercially great is progressive in other directions—dates from the time when they established their own means of communication with other nations. You may say, *we* have made great progress, despite this handicap, but who can say what our position would have been today had we kept pace with our merchant marine? And if we study the history of the progress of civilization we will find that an increase of commercial relationship was the

immediate result, where lines of communication, whether by steamship or rail, were established. I need not convince any thoughtful man of this fact. And where communication, once established, was discontinued, disintegration immediately set in.

Trade has unquestionably followed the flag, as orders follow the traveling man. We have vast fields of production, and now we must get these products to the bases of consumption. So far we have been most fortunate, owing to our great and unlimited resources and our great energy. We have been able to hold our own with foreign countries, even with the handicap of paying higher freight rates than our foreign competitors. But our foreign competitors are also awake and getting stronger each day. After all is said, I still claim that with the same facilities that Germany or England or even Japan has for shipping merchandise, the commerce of our nation would have developed in proportion to the expansion of communication of our own ships with foreign countries.

Some may say, "Let well enough alone," but we are never well enough, if when a little wave of depression hits us in our own country we are obliged to retrench and shut down shops and throw thousands of people out of work, when we might just as well be kept busy supplying the nations of the world from our abundant resources. Whenever you find a business man who says, "Let well enough alone," you find one who is standing still, asleep, and when he awakes and wants to run, his competitors are so far ahead of him that he cannot overtake them.

We are building a canal that will cost over \$400,000,000, and make shorter routes for foreign ship owners to become richer, and by shortening the distance we just increase the competition we now have, by enabling foreign bottoms to save at least one-third on their coal bills, making three trips where they formerly made two; and even now foreign countries are building larger and better ships to capture more of the trade with South America, as soon as the canal which we are building is opened. And we sit idly by, and ask the South American why he does not do more business with us! The shame of it!

If we had the ships we could easily have most of the trade on the entire west coast of South America, which is now controlled by Europe, for with the new canal we will be from 2,000 to 3,000 miles nearer there than Europe is. But of what avail will this be, if we have not the ships to send there? The southern cotton grower, the

eastern and western manufacturers, all would alike be benefited by this great route shortener, if we only had the ships. Think what any of our transcontinental railroads would pay to shorten the distance from coast to coast by one-third, and what it would mean in the saving of freight rates to this nation!

In 1910 we shipped \$100,000,000 to South America. Why, the Argentine Republic alone bought that many goods in the same period from Great Britain, so you see how infinitesimally and pitifully small are our exports to South America, a market that belongs to us, as compared with those of Europe.

South America produces many raw materials and food products, such as sugar, coffee, rubber, hides and wool, which we need, and we could supply them with many of the necessities of life and manufactured goods, so that we could send a shipload down there and bring a shipload back, and all we need is our own ships to carry them. Then we could make a freight rate to our manufacturers to encourage them to compete with foreign manufacturers, and to prevent any discrimination against them, and we would also extend this low freight rate to South Americans to encourage them to trade back with us.

I will give you a slight idea of the imports of some of the South American republics—Brazil, Uruguay and Argentine, three countries on the east coast of South America; Argentine, with 6,000,000 people, imports merchandise valued at over \$300,000,000; Uruguay, with 1,200,000 people, \$40,000,000; Brazil, with 20,000,000 people, \$180,000,000, or a total of over half a billion, and nearly all of these imports could and should come from us, whereas only about ten per cent come from us and the balance from Europe. This condition would change very quickly if about \$20,000,000 were immediately expended for first-class merchant vessels, sailing the American flag, plying between these ports, and this half a billion of commerce annually would begin to turn our way very quickly. As business men you will readily see that this is a good commercial investment, aside from the protective feature.

Now take the west coast: Chili has a population of 3,400,000, and imports about \$100,000,000; Peru has a population of 4,500,000, and imports about \$30,000,000, and less than ten per cent of these imports come from the United States. Yet for all of the commerce which we now have with all of these countries, either on the

west or the east coast of South America, we are dependent today absolutely on foreign ships.

Before I leave the commercial aspect, I want to give you a few more statistics. England transports over ninety per cent of her commerce in her own ships, Germany over fifty per cent, France about thirty per cent, and the United States about *seven* per cent. England, with about \$5,000,000,000 of commerce, has a ship tonnage of about 20,000,000 tons. Germany with about \$4,000,000,000, has about 4,500,000 tons, and the United States, with over \$3,500,000,000, has less than 1,000,000 tons, and even little Norway, with less than \$200,000,000, has a tonnage twice as great as the United States. Prior to the year 1800 we had a tonnage almost as great as we have today, and eighty years ago ninety per cent of our foreign commerce was carried in our own vessels.

We have ten regular ocean going steamships. Great Britain has about eighty-five hundred, and fifty years ago we rivaled her. Out of three hundred ships passing through the Suez Canal in 1909 we had one. Mr. Charles H. Sherrill, United States Minister to Argentine, states that in eighteen months he saw only one American flag and that was on a man-of-war. Out of 4,332 vessels entering the port of Buenos Ayres in 1909 only four had our flag, and they were lumber schooners. The money that we get for our exports in excess of our imports we pay right back to foreign ship owners in the way of freight. If you want foreign powers to respect you, just let them see your ships entering their ports carrying your flag and loaded down with your merchandise. If we had a respectable merchant marine our shipping would soon reach tremendous proportions and our railroads could make lower freight rates to carry our merchandise across the continent for export, for the great additional volume of business would enable them to do so with even a greater profit. All of this would not only increase materially the prosperity of our country, but would reduce the cost of living, for our manufacturers with a greatly increased business could turn out this additional product with but little increase in overhead and thus could manufacture more cheaply, and instead of shutting down valuable plants in times of stress and throwing them on the scrap heap, we could use all these enterprises that took so many years to build up.

I am sorry that I have taken so much of your time with statistics in my endeavor to show the desirability, from a commercial standpoint, of a merchant marine. I do not think I have changed

the opinion of a single individual on that point, for I am sure that every one who has paid even scant attention to the subject was convinced long before he entered this hall that a merchant marine is absolutely necessary to protect the commercial welfare of this country.

There is another and even more important reason why we should have a merchant marine, and this reason affects very materially the safety of this nation. This may seem a broad statement, but I am reminded of a paragraph in a speech in Congress when the subject of a merchant marine was under discussion, and one of the members of Congress said that if we were ever engaged in a war the first thing we should do would be to destroy our navy, so that the enemy could not capture it and use it to destroy us. This was naturally laughed at, but I am wondering whether under the present conditions this Congressman was so far off. Let us analyze this phase of the situation.

Our present navy consists of about 225 warships, including 6 transports, 7 supply ships and 2 hospital ships. We have 19 colliers, with a total cargo capacity of 75,000 tons. Assume that we become engaged in war, the seat of which is 3,000 miles from our nearest station; it can readily be seen how helpless we would be with but two hospital ships, six transports and seven supply ships. The Admiral of our Navy, as President of the General Board, in a report to Congress says that "in time of war the great need of auxiliary vessels is immediately felt by both the army and navy, and the existence of a large fleet of American-owned vessels, available at once for conversion into transports or supply ships, would undoubtedly be of great importance in expediting the departure of troops and in supplying them after departure. These vessels could be used as scouts, colliers, ammunition ships, supply and refrigerating, distilling and hospital ships, repair and torpedo depot ships, transports, dispatch vessels and tugs. The most important service that a merchant marine could accomplish would be for scout purposes, when the sea could be kept and good speed made. One vessel for this purpose would be needed for each battleship. The navy would need a number of colliers of at least 5,000 tons and with sufficient speed and steaming radius to enable them to accompany a squadron of battleships. There should be five such colliers for each squadron of eight battleships with its attending cruisers. A number of colliers of less speed and carrying capacity would also



be needed for keeping the coal supply replenished at the various coal depots, and for other purposes. Ammunition ships of about 4,000 tons carrying capacity would be required for the purpose of replenishing the ammunition supply of the fleet with reserve ammunition in case of contemplated action. There should be one such vessel for each squadron of eight battleships with its attending cruisers. A number of transports would also be needed by the Navy Department for the transportation of a force of marines for the establishment and defense of advanced naval bases. Each transport should be capable of carrying at least one battalion of marines with complete outfit of field and camp equipage.

"Another benefit which would accrue to the navy from a large fleet of American-owned merchant vessels would lie in the large number of experienced sea-going men, engineers and firemen, accustomed to marine engines and boilers, who would form a valuable reserve from which to draw the men for manning the auxiliaries."

I have just quoted the exact words of Admiral Dewey. This is not only his sentiment, but I believe it echoes the thought of every man in the navy who has given this subject any study. Admiral Sperry says that in the cruise of the American fleet around the world: "I did not once see a merchant ship flying our country's flag. We had to depend upon foreign colliers, and when they failed, had to buy coal at high prices."

President Taft says that "if we were compelled to go into a war today, our merchant marine lacks altogether sufficient tonnage of auxiliary unarmed ships necessary to the proper operation of the navy."

I might keep you here all night quoting from very responsible authorities along this same line, to show the weakness of our present navy in this connection. During the brief engagement of the Spanish-American war, we were compelled to go out and buy ships to augment our navy, and pay ridiculous prices, taking whatever we could get. But today we could not even do this in case of war, owing to the treaties which most of the nations now have with each other. What right have we to build any more great battleships, when we do not provide the auxiliaries which are so essential to them? The way we are equipped at present, we have enough auxiliaries for two squadrons of eight battleships, and so the balance of our navy would be practically useless if we could not purchase auxiliaries, which is quite unlikely. Therefore the statement

that I quoted previously, of one of the Congressmen, that in case of war we would better destroy our battleships to prevent the enemy from capturing them and using them against us does not seem so ridiculous, if we analyze the true situation. Not only have we no auxiliaries for our navy, but we have no transports for our army.

Now, what is the condition today? We are paying out millions to train foreign seamen and build auxiliary ships for our enemies to use against us in time of war, instead of training our own seamen and building our own ships. The American sailor is practically extinct because we have practically no merchant marine. We cannot even get seamen for our present navy, notwithstanding we are offering more inducements than ever and are advertising for seamen all over the country. And I will tell you why this condition exists. The life on a battleship after the excitement of the first few months has worn off is most desultory and unattractive. It is entirely too monotonous and the men are too long away from home. There is plenty of discipline but no action, and men who go to sea usually go to get excitement, and they soon become disappointed and dissatisfied.

During the Boer war the merchant marine of England was of inestimable value. How quickly she transported an army down there! The seamen and officers on her merchant marine were well trained and there was scarcely a moment's delay. The ships were quickly converted into auxiliary cruisers and sent down to Africa. Russia's defeat by Japan was surely attributable to her lack of a merchant marine, and she and the United States are the only great nations that lack a suitable merchant marine. It was Japan's merchant marine that so quickly transported the vast army into Manchuria, and even America used to great advantage the few ships she impressed into service during the Spanish-American war. Why, today we are even dependent upon foreign steamships, which are the auxiliary cruisers of foreign navies, for the means of communicating the instructions of our government to our military and civil authorities in the Philippines!

I feel that I am wasting your time with all these details which are intended to show you the necessity of a merchant marine, both for the commerce and for the safety of our nation, and I think that what you wish to know is, what remedy I can propose to meet the situation.

First, I shall touch briefly upon the remedies already proposed during the last quarter of a century while this subject has been under the serious consideration of our nation.

Three plans have been exploited, known as the free ship, the discriminating duty, and the ship subsidy, and each of these has had many followers. The free ship plan I do not consider feasible, for the reason that we have practically free ships today, for under the Dingley tariff, materials for the construction of ships for foreign commerce are admitted free. The reason especially that the free ship plan has not succeeded in building up a merchant marine is probably that foreign ship owners find it much cheaper to operate ships under a foreign flag with foreign seamen, because the scale of wages is so much lower on foreign ships than it is on American ships, and this reason was steadily advanced by ship builders when Congress made an investigation of the subject of free ships, and it is reasonable to suppose that financiers who are going to operate a merchant ship will operate under foreign flags so long as the great difference exists between wages, and even if they were inclined to be philanthropists they could not compete with foreign ship owners with this great difference against them, for the work that seamen do is merely mechanical and the foreign seamen can do it probably as well as the American, if not better, especially on account of their experience. Merchant ships engaged in over-sea commerce operating under the American flag were transferred to a foreign flag on account of this difference in wages.

In 1904 a Merchant Marine Commission was appointed to investigate the subject of a merchant marine. I have carefully read the account of this investigation. During the discussion of the question of the effect of free ships, large American investors in foreign steamships were asked if they would fly the American flag over their vessels if the United States admitted foreign built ships free of duty, and they answered they could not afford to give up the advantage of cheap foreign labor. This in a nutshell is the answer to the thought of building up a merchant marine by the free ship plan.

The discriminating duty plan suggested quite frequently is not practical, first of all because of our commercial treaties with thirty nations, which specifically prohibit both discriminating custom duties and tonnage duties, and even if we abrogated these treaties a year's notice must be given. If we did this, these nations would unques-

tionably retaliate by placing discriminating duties on our exports of manufactures and agriculture. When discriminating duties were practiced by our country over a hundred years ago, we imported far more than we exported. Today the balance is in our favor, so that discriminating duties would be very injurious to us and foreign retaliation would hurt us greatly. There is another and a more serious condition. About one-half of the commodities we purchase and consume from abroad are on the free list. Inasmuch as these articles that are on the free list are principally foodstuffs and raw materials, the nation would never tolerate a discriminating duty being placed on any of these articles, for this would only tend to increase greatly the cost of living, for everybody knows that any additional duty is added to the selling price to the consumer when the article is eventually sold. The proportion of articles imported now on the free list is steadily increasing. If a discriminating duty is put only on articles not on the free list, it would not be attractive enough to encourage American shippers to engage more largely in commerce, for with many of the countries as high as ninety-eight per cent of our imports are articles now on the free list.

I will give you a few statistics of our principal imports for this year, 1911:

Sugar, \$105,000,000; chemicals and drugs, \$95,000,000; coffee, \$84,000,000; hides and skins, \$80,000,000; India rubber, \$25,000,000; cotton manufactures and raw silk, each about \$65,000,000; fibre manufactures, \$55,000,000; wood and manufactures, \$50,000,000; fruits and nuts, \$40,000,000; block and pig tin, \$40,000,000; diamonds, \$33,000,000; copper manufactures, unmanufactured fibres, iron and steel manufactures, silk manufactures, leaf tobacco and oils, each about \$30,000,000; art works, furs and fur skins and wool, about \$25,000,000 each.

The discriminating duty plan was also carefully gone over by the Merchant Marine Commission. Our treaties with other nations contain important commercial clauses aside from the tonnage taxes, and to abolish them and then re-negotiate on terms as broad and liberal as the present ones would probably not only be a formidable undertaking, but would take many years to accomplish. A tonnage tax would only result in the tax being added to the rate and an increase in the cost of the imported articles to the consumer. For these reasons I do not think this country will ever pass a law levy-

ing discriminating duties on all goods brought into this country on foreign bottoms, or a tonnage tax for the same purpose.

Now the plan that is generally admitted as infinitely superior to either the free ship plan or the discriminating duty plan, and one that almost passed both Houses of Congress, and so came very near to being enacted into a law, is the ship subsidy plan. This plan especially have I given the most careful and earnest consideration, if for no other reason than the one that many of the best minds and the most experienced men of this country during the past quarter of a century have been firm advocates of this plan. If we could secure a merchant marine by no other plan than that of a ship subsidy I would bow to the inevitable and accept it, so anxious am I that this country should have at once a merchant marine, but I fear the Congress will never enact into law the ship subsidy, except as a last and only resort, for the prejudice against this plan seems to be getting stronger.

I am principally opposed to the ship subsidy because the merchant ships of the world are in the hands of a gigantic combination, and so strong is this combination, that it is generally understood that even the American ship subsidized steamers on the Pacific have joined it and are making the rates for the transportation of merchandise prescribed by the conference; so you see that even with a subsidy these ships cannot compete with this pool. Now, if we pass a law giving a subsidy to certain ships operating under the American flag, they will operate only so long as they can compete against this pool, and when they cannot, they will either secretly join this pool, or come back to the nation for an increased subsidy; and this might keep on indefinitely, for this trust could afford to carry goods at a loss where it came into competition with the few ships that would come out under the subsidy plan, for the profits of the trust are enormous and it would never quit while it had a leg to stand on, in its attempt to ruin its competitors. This has been its policy in the past, and that is why the ship owners who were not in, and who at first refused to join, came in finally in self-defense. Even if I am wrong (but I do not think I am) I am opposed to this nation paying out millions of dollars in subsidies for a merchant marine that would be under our supervision only nominally, because I am not convinced of the necessity for doing so. The only reason why I might think well of the ship subsidy plan

is that it is better than no plan at all, and infinitely better than no merchant marine.

During the debates on the merchant marine in the United States Senate in 1908, the records show that the three steamships on the Oceanic Line, formerly plying to Australia, at that time were laid up in the harbor of San Francisco, being unable, although subsidized for mails by this government, to compete with foreign vessels. This, it seems to me, is an unanswerable argument against a ship subsidy.

There is another reason why I think we are wasting time, and in the end we will accomplish nothing, if we consider any further a ship subsidy. It has been consistently defeated in Congress for many years, in the first place. In the second place, Mr. B. N. Baker, of Baltimore, who was formerly president of the Atlantic Transport Company, which company sold out to the ship trust, has been attempting to organize a new company with fifteen millions of capital, to carry the mail between the American ports upon the completion of the Panama Canal. This company was to be independent and free from all alliances with railroads, and if it could have been floated, would have been able to make reasonable ship rates for transportation by taking advantage of the Panama Canal. But even with Mr. Baker's broad experience and splendid standing in the steamship world, he had to abandon his plan, because it was impossible for him to raise the fifteen millions required to construct a fleet of fifteen ships, for the financial powers who are heavily interested in the ship trust made it impossible for him to raise the money. Mr. Baker is probably the one man in this country, outside of those interested in the ship trust, who might be able to bring about the construction of an independent merchant marine. But even if he had succeeded in floating his enterprise, I am sure that it would have been only temporary, for the ship trust would either gobble it up as soon as it began to vigorously compete with it, or it would force the company to maintain the same rates.

Now as to my proposed plan. I suppose that it, too, will receive much opposition. I shall only ask that that careful consideration be given it which I have given to the other plans proposed. It has at least, I think, the merit of being a new one, but I hope it will not be condemned on that account.

Our nation has a naval organization comprising about 3,000 officers and 50,000 seamen. Our equipment consists of about 225

battleships. We own the greatest water highway in the world, the finest seaports and docks and harbor facilities of any other nation, as well as the most navigable streams. Our ship yards are equipped as well as those of any other nation. Our executive department is thoroughly organized, and consists of a Secretary of the Navy and assistant secretaries, an admiral and rear admirals, captains, commanders, lieutenants, ensigns and other officers. This naval department is well organized, and fortunately politics rarely enters into it. Besides the officers mentioned, there is a general board, and bureaus of yards, docks, navigation, ordnance, construction and repairs, steam engineering, supplies and accounts, medicine and surgery, naval intelligence, hydrographic, naval and medical examination, board of observation, retiring board, medical school and dispensaries, general inspectors and pay corps; and each of these departments is governed by a head. To maintain this great organization requires an annual outlay of \$130,000,000, and each year this amount will be vastly increased with the addition of each new battleship. Now the people's extremity is the nation's opportunity, and the extreme need of a merchant marine to carry our commerce as well as to protect our battleships is surely the nation's opportunity, so what more natural than for the nation to come forward in this extremity, as all other measures that have been suggested have failed, and say: "We have today a great naval organization, and as the merchant marine is to be an auxiliary to our navy, why not build it ourselves and control and operate it?" This nation is bound to protect its people at any cost, but I am sure that my plan is altogether feasible, and besides may not cost the nation a dollar.

First, let me tell you the advantage of a merchant marine controlled by our government, and then I will tell you about its operation. First of all, I will take up the protective advantages. A merchant marine owned by our government would enable it to build ships on designs modeled and approved by our navy so that they could be promptly converted into auxiliary cruisers in time of war. These ships would always carry a number of American boys who would be trained in seamanship and would be manned by experienced sea-going men. These crews, visiting the different ports of the world would become familiar with the coast defenses of other nations. The government controlling these ships could transfer its officers and crews from its merchant ships to its naval ships and

thus give the crews of both opportunities and experiences which they would not have if the merchant marine were not owned and controlled by the government. To illustrate this, today the government has great difficulty in getting seamen for the navy. Previously I have stated what I consider the main reason for this. Now under the proposed plan the government can take men off battleships and transfer them to the merchant marine, thus giving them an opportunity of leading a more active and exciting life, and allowing them to get home oftener, which would be a great inducement. This would also tend to break down the class prejudice that now seems to exist in our navy, and I am sure would make our navy much more effective. It has taken many years and much money to bring our navy up to its present standard, and I am sure that the addition of a merchant marine would inspire the navy with new life. This plan would result in building up a great force of experienced seamen that we could use in an emergency instead of building up an auxiliary navy for a foreign nation. The \$30,000,000 which we expend annually for harbor improvements would be spent for our own benefit instead of for foreign ship owners, and instead of paying right back in freight rates the money that we take in for our exports in excess of our imports we would pay this money to American labor. Instead of allowing a foreign pool to make the freight rates for American shippers, if we controlled our merchant marine we would see that no discrimination was made against the American shipper, and in case of war between any of the great shipping nations instead of having our commerce paralyzed, as we would have it under present conditions, on account of inability to secure ships for our commerce, we would go right on attending to our business and shipping the exports of our own nation on our own bottoms. Instead of building more battleships when we have not enough men to man our present equipment and hardly any auxiliaries for our present navy, we would build a merchant marine which would augment our navy, and the price of only two battleships would give us a merchant marine to ply between our country and South America, at least on the east coast, and this would be a fair start.

Now, then, to sum up the subject: My plan simply means that the government augment its present naval department with auxiliary or merchant ships; that it use such portion of its present organization and seamen that is considered desirable, simply making the



merchant marine a department of the navy, just as it recently made the postal savings banks a department of the postoffice; that it transfer officers and seamen from one service to the other whenever it appears that the service will be improved by such changes. As the government now has practically all the overhead, the additional expense of operating this merchant marine would be quite small comparatively, and we could make such freight rates and furnish such communication that would encourage our manufacturers to export, and could make such rates to our sister republics in South America that would encourage them to trade with us more generously, which I am sure they would gladly do, for we are closer to them politically and geographically than any other nation, and we certainly should be closer to them commercially. In order to encourage this commerce, even if the government operate at a loss in carrying this freight, its loss would not involve nearly as much money as the amount it would have to pay out in ship subsidies, or for the transportation of the mails, which is only another name for subsidy, for the difference between the American scale and the foreign scale that it would pay in wages it would save in overhead, as against foreign competition.

Now, as to the ability of the government to operate the merchant marine: it would be one of the simplest duties the government would perform. It has had much experience in building ships, and certainly it could design and build the ships it would require. It would simply add to its present crew in the manning of the ships and establish a tariff as low or lower than the ship combine now makes to its foreign shippers. The rest is only a matter of accounting and simple honesty.

Now I expect opposition to this plan from two sources. First, from the unpatriotic Americans who are interested in foreign ships and who would see in this move the ultimate upbuilding of a great merchant marine entirely owned by our own nation and successfully competing with the ship trust, for the government is the only institution that can successfully compete with it, now that it has been allowed to reach such gigantic proportions. Second, opposition from those who will tell you that this will put the government in business, that this is paternalism, or socialism, or some other "ism." But what if it does put the government in business? Let me read you from the constitution:

"We, the people of the United States, in order to form a more perfect union, establish justice, insure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this constitution for the United States of America."

Now that is just our situation today, and I want to substitute for the word "constitution" the words "merchant marine." May I read it again?

"We, the people of the United States, in order to form a more perfect union, establish justice, insure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this **MERCHANT MARINE** for the United States of America."

Our situation today appears to me just as serious as it did to our forefathers when they wrote the constitution.

If this plan were given a fair trial, I am sure it would succeed, and we would quickly add more ships, as the demand for them would be so great. If this plan were given a fair and unprejudiced trial, I am sure it would never be abandoned, but would be a great success. Our government today is engaged in business more extensively than any corporation in the world, and this department would surely not be as complicated or as difficult as its postoffice or its treasury, or in fact, any of its other departments.

There may be some opposition from those that will claim that the government operates with less economy than private individuals can. I grant that as a general proposition this is true, but if we cannot get a private individual to give us what we need, just as we found it necessary to engage in the postal savings bank business, in order to better protect the savings of our people, so we must engage in the merchant marine business. As far as economy of operation of a merchant marine is concerned, I am not prepared to grant that a private owner can operate as cheaply as the government can, even allowing liberally for so-called governmental extravagance, for much of the great overhead charges which I have before mentioned and which this government must maintain, with or without a merchant marine, would have to be furnished by a private owner, and he could not furnish all that and still operate as economically as the government could, even allowing for waste.

Just as a great department store adds another department without materially increasing its overhead charges, so the government could add this department in the same manner. The talk about the government going into business arises either from a selfish motive or from sheer sentiment, and neither ought to have any great weight in so important a business proposition when the commercial life and safety of the nation is at stake. The people select their servants just as the employer selects his employe, and the people must sooner or later realize that commercial honesty and integrity, both in governmental and private enterprises, must be paramount, if a nation shall succeed, and as the nation's responsibilities increase it will demand greater integrity of its employes.

Yet another source of opposition may be from the naval officers. Some may feel that it is beneath the dignity of a naval officer to be connected with trade. Good! If that is the sentiment, let us get at it and uproot it. The naval officer is made of no different stuff than any other employe of the nation, and if the exigency of the time require his engaging in trade to assist his government, and his patriotism be not equal to the test, we would better get rid of that class and democratize our navy. This process of housecleaning would unquestionably make a great improvement in our navy, for if some of our officers find themselves too busy attending pink teas, to take off their gloves and dress coat and do some work for the government which supports them, I think it time to take off their epaulettes and let them try the pink tea route exclusively and see what it will yield them in the way of sustenance. But I can hardly believe that there will be any considerable opposition from that source.

I wish to quote now from a letter from the admiral of the navy, George Dewey. He says: "I think your plan is feasible; and if you can induce Congress to think so, this movement, which has received numerous discussions by Congress and individuals for some time, will perhaps ultimately be put into effect."

I think that this sentiment echoes the thought of our naval officers, and would be re-echoed down to the seamen.

Before I close, I would say this—another question may arise in your mind—you may ask: "If you are opposed to a subsidy because the trust would cut prices and then the subsidized lines would either go out of business, or join the trust, or come back for more subsidy, why would not the effect be the same, if the nation com-

peted with the trust?" My answer is, the nation is backed up by a hundred million people. It will spend millions for defense. Let the trust beware! Gentlemen, I thank you. (Applause.)

THE CHAIRMAN: Is there any discussion of the subject?

MR. E. CLARENCE JONES (of New York): On my own initiative, I think it would be timely, on this, the first day of this Congress, to say for myself, that it seems to me that it has been fully shown that there is nothing that can better promote the business interests of the country than this sort of a forum. I think the organization, in establishing this, has done a great work. The only question is, can it continue it? It seems to me that if we think over the next two days what I am to suggest, a plan may be evolved whereby these discussions of this forum may be continued. There are at least five hundred active commercial organizations in the country. If all of those five hundred were invited to join, to cooperate in this work, to hold an annual congress, to participate in its discussions, and were asked to contribute a small sum for that purpose, I think they would all do it. Personally, I am very anxious to see these discussions continued. I have been so interested today, and I only speak now for the reason that it seems to me that it will give us two days to think it over and decide whether anything can be done along these lines.

I would like to say that the organization that I represent would be glad to subscribe annually, and I am sure there are other members here from other organizations who will feel and speak for their own organizations the same way.

THE CHAIRMAN: I thank you, Mr. Jones.

MR. FRANK D. PAVEY (of New York): Mr. Chairman and Gentlemen—I was very much interested in one part of Mr. Rosenthal's paper, because he compared the better shipping facilities between Europe and the east coast of South America. It happened that last year, in connection with business, it called for a great deal of economic investigation. I happened to go to the Argentine Republic. Like every American going from home, and remaining for months, when business has been finished, I was in a hurry to get home. When I looked for the quickest way to get from Buenos Ayres, I found that if I would take the fast Italian boat into the Mediterranean, and then to Barcelona and into Spain, and then a

fast steamer from Freiburg, I could get home from three to four days earlier than over any other route.

But I think that is not a question of subsidy. I think it is a question of trade, and, in order to state my conclusions before I give the reasons for them I will say that if Mr. Rosenthal, as a promoter, would like to establish an American steamship line to ply between New York, or any port in the eastern coast of the United States and the Argentine, the most practicable method by which he could do that would be to get the Beef Trust and the Harvester Trust to unite in the construction of that line of steamboats. Of course, that suggestion is not immediately practicable, because of the uncertainty as to how many of the Beef Trust will be left out of jail, but my reason for making the suggestion is this: It is only a question of time, and not a very long time, until America will cease to supply England with meat products. The falling off has been so great as to be noticeable, not only to the men who are particularly interested, but to other men as well, and the reason for that lies at home. With the settlement of this great interior country, and the building up of cities and villages of greater and greater size on the plains, the plains are gradually being cut up, and, with the cutting up of the plains, the great herds of cattle and hogs from which the Beef Trust drew its supplies to ship to England are being cut up or driven farther to the borders and into Mexico.

With the Beef Trust, all of the different groups that constituted the Beef Trust have, of course, for many years, had an elaborate selling organization in England, which is practically the only country in Europe in which they can sell beef. Their lack of supplies in this country, due to the high prices and small production, has led them to go to the Argentine in order to get the supplies to furnish to the English. Prior to their advent in Argentina there were English Companies there, but the people usually designated as the Beef Trust had to disband their organization in England or go to the Argentine for their supplies. Swift purchased one plant there. The National Packing Company purchased another, Armour and Schwarzschild & Sulzberger have all purchased land there with a view of establishing plants there. They have the reputation there of being more successful in the meat packing business than either the English or the natives. In fact, the natives are a distinct failure, and it is practically left to the English and American packers. The Americans are credited with knowing better how to utilize all

the by-products of the business and to make money where native plants have failed. Of course, that may be due to the fact that they had very much better selling organizations already established in England, but their success is not doubted. The principal difficulty about an American steamship line between New York, say, and Buenos Ayres, is the question of a return cargo, and the English shipping men maintain that it is perfectly absurd to talk about an American subsidy that will be sufficient practically to take the place of a return cargo.

While, of course, there are products of the Argentine and Uruguay which come to this country, of which hides is a great one, they do not constitute the great export products of those countries, the great exports, beef, grain, etc., being the principal ones. It is my judgment that the time will come when the Atlantic seaboard will receive both grain and beef from the Argentine, but that is somewhat remote. A ship that goes from here to the Argentine has no certainty of a cargo on the return trip. In going from England they have a certainty that if they will equip themselves with the proper refrigeration for beef and mutton they will always go back loaded. I am told that that is practically why there is no steamship line between Buenos Ayres and the Atlantic seaboard.

I was told that American agricultural implements are better liked than any other make, where they have an opportunity to get in on anything like the same price. In fact, I have been told in England that small agricultural implements made in America are considered far superior to their own make, because of the superior finish and superior workmanship, but it is certainly true in South America. The importers of machinery in South America say that the higher freight rates particularly make it impossible for them to import American agricultural machinery and sell it to the entire exclusion of machinery from other countries. But the agricultural machinery and the agricultural implements are greatly liked. I am not a practical shipping man, but it seems to me that if the Beef Trust and the Harvester Trust could establish a steamship line and carry agricultural implements from the Atlantic sea coast to Buenos Ayres, and then meat products from Buenos Ayres back to England, and then, on the return to the United States they would be loaded, and make a triangular trip, they could in that way maintain the service, and it is my opinion that unless you can work that out, an American service between those two points will not be practical until

we arrive at the point where the Atlantic seaboard imports grain and meat from the Argentine. (Applause.)

THE CHAIRMAN: In respect to the gentleman's remarks as to the return cargo, ships do cross the Atlantic coming to this country for cargo. I have now two ships crossing the Atlantic consigned to me, to take a cargo out of this country; a cargo that I could not get the carrying capacity for, and those ships will be loaded within the next sixty days. If we are to get our products into foreign markets successfully, economically and expeditiously, we have something to do besides the inauguration of a merchant marine. In other words, we must have a better Consular service than we have at the present time. Our Consular service has been materially improved during the last three or four years, but there is certainly room for greater improvement.

We have with us today a gentleman who has been a consul, who has gone through the examination for consularship with great credit, and he will tell us what he knows about it.

Gentlemen of the Congress: It is my pleasure to present Dr. Samuel MacClintock, formerly of the University of Chicago and recently of the American Consular Service.

## THE AMERICAN CONSULAR SERVICE.

BY SAMUEL MACCLINTOCK.

Mr. Chairman and Gentlemen:

Shall we continue to maintain our consular service?

It might seem a waste of time to ask such a question were it not for the fact that every now and then some one not acquainted with the wide range of consular activity raises the question as to whether it would not be just as well to abolish the service altogether. This last winter when the bill to provide suitable permanent buildings for our diplomatic and consular officers abroad was up in the House of Representatives, Judge Underwood, of Georgia, opposed the measure on the ground that the foreign service should be abolished entirely. The argument, such as it is, for this view is that in this day of rapid communication to all parts of the earth, negotiations can be carried on between interested parties directly,

whether they be governments or individuals, and without the mediation of agents, except when special situations arise.

Happily this view does not obtain generally. The consensus of opinion among manufacturers, exporters, travelers and especially among our citizens residing abroad, is that the consular service is a very valuable aid to commerce and that it should at once be placed by law upon a permanent merit basis and improved and extended so that its value would be still further enhanced. The judgment of the country is overwhelmingly in favor of placing the service upon such a basis as will remove it entirely from the pernicious effects of the spoils system, and it is only a question of time until Congress will recognize the insistence of this righteous demand, and write into our statutes some such law as this League has for years been advocating.

Before taking up the bills relating to the subject, which are to be introduced into Congress at this present session, let us see, briefly, what are some of the distinctive services rendered by our consular officials.

*Commercial Duties.*—It is generally recognized that in order to secure foreign markets, it is necessary to have both broad and accurate knowledge of the peculiar trade conditions existing in different countries, the local customs and tastes, the character of the goods demanded, the banking and transportation facilities and the prevailing systems of credit. One of the accepted means used by all modern governments for promoting such commercial relations is that of the consular service.

This service, in its inception, goes well back into the Middle Ages. At first it was not intended so much to render aid to trade and commerce as it was to protect the private rights of citizens living or traveling abroad. In modern times consuls have almost completely lost their representative character, which has been assumed by the diplomatic branch of the foreign service, and likewise, in all except a few non-Christian countries, their judicial functions. The consular service has thus become distinctly commercial in its character. Its great justification at the present time is the aid it can render in securing and promoting foreign trade. This service includes the bringing about of mutual good will and understanding. Consuls may, therefore, at the present time, be regarded as soldiers of commerce, or as ministers of commerce, according as they are



looked upon as waging commercial warfare or as promoting good will and understanding.

In discussing the service which consuls render to the trade and commerce of their country, it may be stated at the outset that they cannot create trade, nor can they successfully tell an individual how he should establish and carry on his business. They can, however, make broad, sound observations on the products and commercial possibilities of a particular country, its financial and industrial conditions and the tendencies of its trade, the local usages and requirements, commercial statistics, and the steps necessary to be taken if one wants to enter upon a particular field; also, the scientific discoveries and progress in the arts, the encouragement given to technical and commercial education, the methods of advertising, and other helps and suggestions. Such information is of the utmost importance to the exporter who wants to get into the foreign market and cannot afford to make an exhaustive investigation on his own account. Again, consuls can do much to promote good will, break down local prejudices and smooth over difficulties with government officials and local dealers. Such services as these, and not the rendering of direct personal assistance to those engaged in foreign trade, is the true field for consular endeavors. In addition to the general lines of information mentioned, consuls acquire much valuable knowledge relating to individual business propositions, such as a knowledge of particular markets, business connections, details of delivery and payment, salesmanship and the protection of trademarks and copyrights.

Our consuls are called upon by the government to make a great variety of reports, dealing with the subjects just mentioned and many others. These are issued as annual, quarterly, monthly, daily and special reports, and may be had of the government upon request. They are of value as showing the general conditions prevalent in the consular district and the possibilities of new or further extensions of trade.

The reports upon tariff and customs regulations are of especial assistance to those engaged in either importing or exporting. By prompt notice of important changes and pending legislation of this character, much time and money have often been saved. This has been particularly true with regard to Latin America, where the customs regulations are subject to frequent changes and where rigid compliance with the exactions is often necessary to avoid heavy

delay and loss. The reports of this character also show how the local requirements may be met in such a way as to save friction with the government authorities. They also point out practical expedients by which shippers may save money. Thus they have shown that products with metal parts sent to Russia or Germany should have the different metals packed separately, so as to avoid paying upon all in accordance with the highest class article in the package.

The consular service renders valuable aid in protecting our customs revenue. The certificate of the consul at the port of shipment verifies the correctness of all invoices of goods destined for the United States. This duty presupposes an extensive knowledge of general values and of the state of trade in the consul's district, such as can be acquired only by close study as well as by a wide familiarity with local conditions.

The use of ad valorem duties in our tariff system renders the temptation to the undervaluation of the imported goods very strong, and this may result in severe loss to the government. This is especially true of highly manufactured goods, such as form a considerable part of our imports. The value of such goods is difficult for any one but an expert in each line of trade to know. The system of undervaluations, long practiced, especially by the European exporters, worked to the decided injury of their American competitors, who were finally almost driven from the field. By shrewd and persistent efforts of our consular officers, especially in Switzerland and Germany, such unfair methods, in at least a few lines, were finally exposed. It has been estimated that the savings resulting to the government alone amounted to over a million dollars a year, while checking the tendency to dishonest invoicing has of itself done much to establish fair conditions in trade. The almost complete failure recently of our consuls to ascertain with any measure of exactness the cost of producing foreign goods shows how difficult is the undertaking, and the lack of funds with which to make public such parts of the reports as were of practical value shows the handicaps the service is under.

A special class of reports deals with the preparation and inspection of food products for foreign markets. European countries have sometimes passed stringent measures against our meats and fruits particularly, on the ground of protecting the public health, though in reality often prompted by the fear of competition. Consuls have

been able at times to show the unreasonableness of such actions, and especially to show that no injurious results could possibly follow the violation of such formal regulations as that of the French government requiring canned goods to be sealed with solder of pure tin only.

Another class of reports deals with the demands of the local markets. The people of all countries have their national customs and preferences, and any one who wishes to supply their demands must be willing to adjust his products to such requirements. This applies not only to the goods themselves, but to the means used in making sales and payments. Our manufacturers have not infrequently shown great indifference or even positive unwillingness to vary their patterns or standards in order to meet the needs or prejudices of the foreign consumer, while our European competitors have shown commendable willingness to do so. Knowledge of the peculiar requirements of different countries, and a willingness to meet them, are necessary, however, if an extensive foreign trade is to be built up. A trade built upon such a reputation is hard to shake, especially in conservative countries.

The reports also indicate how the trademarks may advantageously be made to conform to the native tastes. Thus, "in India a rampant leopard is popular; in China, dragon figures; in Uruguay, marks of a religious character, like the Star of Bethlehem; and in Sierra Leone, certain vines, trees and animals formerly worshiped by the natives and still held in great respect." The English have made great success with the cotton trade in Japan because they have made designs based upon specimens of old Japanese art. These illustrations will suffice to show how consuls can aid the foreign trade by pointing out to manufacturers the local peculiarities and requirements.

Reports of another class have a considerable though temporary value. Thus, a widespread crop failure, destructive flood or other public calamity may open up a profitable field for exports, and notice of great public or private works soon to be undertaken, such as the buying of government supplies, often results in the contracts being secured by our own firms. Consuls have reported upon harbor improvements, extension of railroad and steamship lines, opening up of new districts to trade, and by their efforts have sometimes secured the establishment of better banking facilities and direct steamship communication.

Our consuls have made many valuable suggestions as to methods of doing business in the various countries. One of the most important of such suggestions is that connected with credit. With us cash payments or short-time obligations are customary, but in Europe, South America and the Orient, long credits are usually given. The European traders have shown much greater willingness to recognize the conditions, whatever they might be, and to accommodate themselves to the local customs than have we Americans. This, together with the long credits made possible by the backing of the large German banking houses, is given as one reason why the Germans have been notably successful in South America. Consuls also report upon the procedure involved in the collection of debts; they furnish trade directories, and they may even advise as to the commercial rating and general standing of local business firms, and individuals.

Many complaints and suggestions have been forwarded by consuls as to the manner in which our goods destined to foreign markets are packed and shipped. Thus, a gentleman in Chile recently ordered a large and expensive piece of machinery. When it arrived, a small but essential part was lacking. It took months to secure the part, and this meant a vexatious delay and loss.

It is pointed out over and over again in the reports that the markings and invoices should always be in the local language and in conformity with government requirements; that prices and measurements should also be in the local language and for goods delivered at the seaboard, in sizes suited to the local means of transportation. Thus it is manifestly absurd to send heavy boilers all set up to an interior point in Honduras, when the only means of transportation to the destination is on the back of mules.

Consuls give valuable advice as to the best methods by which trade may be secured in their respective districts. They are forever pointing out the uselessness of sending catalogues and circulars to people who do not understand one word of the language in which these are printed. They insist that printed matter, however carefully gotten up, can never take the place of branch houses and agents who know the language and customs of the country. They advocate the establishment of exhibits of simple manufactures, and some of these exhibits have been notably successful.

Consuls have rendered valuable assistance to our manufacturers in protecting their patented articles from imitation and subse-

quent sale. They have shown how patents, copyrights and trademarks might be obtained, registered and protected. Not infrequently our goods and trademarks have been so successfully imitated in foreign countries as to kill off a promising trade by the substitution of an inferior article. American sewing machines were practically driven out of the markets of Brazil in this way by German imitations.

In the "Foreign Trade Opportunities," contained in the Daily Consular Reports, notice is given of both information and inquiries on hand accessible to applicants before such reports are published for the general public. This was found necessary in order to secure this information for our own citizens first.

One of the things which struck me as odd while I was in the service, and one which I am unable to explain satisfactorily, is the fact that salesmen, prospectors and investigators in foreign countries do not make more use than they do of local consular aid. I know that it not infrequently happens that such agents go into a region with whose local history and conditions they are not familiar, and yet do not call upon the consul or make any other use of the information which the latter is able and willing to furnish.

It is not contemplated that the consular service should ever take the place of private enterprise. Consuls cannot be expected to be experts in all lines of industry and commerce, nor can they be expected to render active personal service to exporting firms. They can, of themselves, neither create nor maintain trade; the most they can do is to facilitate it. The producer or exporter himself must go after the foreign trade if he wants it, and all that he can reasonably ask of the government is that it give him general assistance. Furthermore, no great foreign trade can be built up as long as we are contented with the home market in full years and look to the foreign market only in off years. The foreign trade must be an object in itself and not simply an outlet for the surplus of slack years.

Consular services are, therefore, rendered to a general class and not primarily to individuals. This is especially true as to the opening up of new sources of trade, and reporting upon general conditions. After a business is once established, consuls can then render but little direct assistance, for necessarily those intimately acquainted with its details are in a better position to judge of its requirements than the consular officers can be. Nevertheless the

general information furnished continues to be of considerable value even to those already in the field, for such matters as opportune conditions for the expansion of trade, health regulations, protection of patents and trademarks, opening of new routes and lines of communication, shortage of crops, the projection of new works and changes in the law, do not ordinarily come within the observation of those engrossed in any single line of business.

So far from it being true that the consular service should be abolished because "you can do business just as well by writing a letter as by sending a man," the whole demand is for better men who can report accurately the conditions in the foreign field and thus help to establish better commercial relations. There is no doubt that if the government fails to provide a strong and efficient consular service to serve the general interests of all its citizens, large private corporations and chambers of commerce will do so for their own benefit. This is what the Chicago Association of Commerce did recently when it opened an office in Buenos Aires for the purpose of promoting trade with that rapidly growing part of the world.

Our State Department has been criticised for its recent vigorous efforts to promote our foreign trade and to secure our share in the commercial openings in various parts of the world. The utilization of our full diplomatic and consular services for these purposes has been ironically dubbed "dollar diplomacy," just as if the securing of such results were not the justification of our foreign service. In general, our government has done too little rather than too much to help our manufacturers and exporters to secure foreign markets; and the aggressive and successful efforts of the present administration in this field should receive the hearty appreciation of all interested in the extension of American capital and trade abroad.

*Legal and Administrative Duties:* There is a disposition on the part of those who think of the consular service as only an agency for buying and selling goods, to fail to take into consideration certain other very important duties imposed upon our consular officers. Thus, they must give attention to our shipping, wherever such exists. The care and inspection of ships, their condition and sale abroad, the custody of ships' papers, together with the general supervision of seamen, including their enlistment abroad, their disputes, discharges, wages, desertions and relief, all fall under the

consular supervision. Again, there are important duties connected with immigration and quarantine laws, rules and regulations.

Among the most important consular duties towards our nationals living or traveling abroad is seeing that they get the privileges and immunities to which they are entitled under the law of the country in which they reside; administering upon their estates if they should die intestate; and viséing travelers' passports. These duties are light in the old settled countries of Western Europe, but they are the most important which a consul can render to his own nationals in any country undergoing serious internal disturbances. There is no better way known of developing foreign trade than through the permanent location in a foreign country of our own citizens. The president of the Comité des Conseillers, of Paris, said recently that a country wishing to export its products must begin by exporting men—"le commerce suit ses nationaux." Americans, as a rule, have so many opportunities at home that comparatively few of our young men care to seek their fortunes in foreign lands. One result of this was recently expressed by the president of the American Chamber of Commerce in Paris in the following words: "A source of national weakness has always been that American interests abroad are, to a large extent, in alien hands, through the lack of men conversant with foreign languages and foreign methods of business." Now, it is obviously the duty of a country which encourages its citizens to live in foreign lands in order to develop commercial relations, to follow these citizens with its protecting arm and secure for them adequate preservation of their lives and property. Not to do so, is to fail to give its citizens the care and protection which is the duty of sovereignty corresponding to the correlative duty of obedience on the part of the citizen. Our citizens in Mexico, in China, in Tripoli, in Persia, and often in Central and South America, while living abroad in the pursuance of legitimate endeavors, look to their government with keen solicitude for protection.

While I was stationed in Honduras, the most disturbed and distressed part of revolutionary Central America, there were approximately five hundred American citizens in my consular district at Puerto Cortes. Some of these were substantial planters; others, day laborers; while still others were sojourning in that tropical clime because it was more congenial to them and to their past deeds than their own country. Now, these American citizens were often

sorely distressed by the unsettled conditions around them. Appeal to the courts was generally ineffective. They had to depend either upon their own good right arms or else upon the efforts of their government to secure them their rights. In such a country as this the legal and administrative duties of a consul are more important by far than the commercial duties.

*Opinions of Our Service:* There is a great difference of opinion among our manufacturers as to the value of our consular service. Many of those engaged in the foreign trade do not ship abroad directly, but make all their sales through commission houses; some do not even avail themselves of the opportunity to obtain the published consular reports. It is evident, therefore, that out of the total number of manufacturers in the country, the portion that comes into direct contact with the consular work is small. For reasons already indicated in part, it is believed that this will change rapidly and that the service will be an increasingly valuable aid to our commerce.

The "American Exporter," received some time ago, from manufacturers and exporters, 259 replies to an inquiry as to what they thought of the consular service. The replies showed that, while practically all are engaged in the foreign trade, less than 65 per cent receive the consular reports, and that only about 40 per cent made any attempt to follow up the "Foreign Trade Opportunities" there presented. Approximately one-half of these replies secured results—a remarkable percentage, everything considered. The replies indicated belief in the growing emancipation from political influence and the consequent widening value in the struggle for foreign markets. No wonder, therefore, that in answer to the question, "Do you consider the reports of value to American Commerce?" practically all replied in the affirmative.

While these letters were not exactly enthusiastic endorsements, they nevertheless indicate ground for hope. In reply to the question, "From what class of men do you think the consular corps should be recruited, and what special training should they have to be of value to the country's export interest?" the answers may be grouped as follows:

One hundred and one replied that the service should be recruited from men who have had previous business and manufacturing experience; twenty that the best material for consular appointees is to be found among the employers or principals of ex-



porting commission houses; four advised the selection of traveling men who have had foreign experience; two declared themselves as satisfied with the present arrangement; while one urged that appointments be made on political and partisan grounds, but, as he also suggested the party from which the appointments should be made, it would seem that this manufacturer intended his reply to be a joke.

Another correspondent advocated the selection of men of social position and independent means. Four suggested nothing more specific than "appointments after special training;" four others simply said that the consuls must speak the language of the country to which they are sent; three favored the appointment of college graduates; and two, the graduates of technical schools. One said, in a general way, that consuls ought to have a wide acquaintance among American manufacturers engaged in the export trade; and five emphasized the necessity of increasing salaries so as to secure the highest efficiency.

This opinion is in accord with that expressed by President Monroe, who said long ago: "When we deprive our consuls of the necessary means to enter the social circle to which they properly belong, we reduce them to mere ciphers."

It is always interesting to see what intelligent foreigners think of us. That our service has been good in spots, no one will attempt to deny, but Dr. Vosberg-Rekow, a high German official, thinks that the remarkable growth in the exports of our manufactures to Europe is due, at least in part, to the effort of our consuls. He says: "The United States has covered Europe with a network of consulates and makes its consuls, at the same time, inspectors of our exports and vigilant sentinels who spy out every trade opening or advantage and promptly report it." The German agent of a large American manufacturing house thinks that our service is still inferior, in results produced, to the German system, in which special commercial agents are attached to the consulates, but that it is superior to the systems of France or Belgium.

*How Make Effective:* Our consular service, in the past, has merited both the censure and the praise which has been heaped upon it. Like other parts of the government service subject to the perniciousness of the spoils system, it has recruited to its ranks both the competent and the incompetent, both wide awake men of good training and practical experience, and a large corps of "re-

spectable, indigent gentlemen who have failed at home." Successful and troublesome local politicians have too often expected to be rewarded for their contributions or their exertions in the past campaign by a soft berth in some foreign country. Needless to say such appointees did not look forward to a continuous career in which intelligent and persistent work would bring retention and promotion in the service, but rather to four years of sojourn in a foreign country as a reward for their past political efforts.

The United States continued its consular appointments as a reward for political services long after this method had been given up by the leading European nations. With them a candidate for the consular service must almost always be a graduate of some recognized learned institution, often must have had some experience in a commercial house or institution, and then must pass a rigid, competitive examination. Once admitted to the service, he is free from political pressure and can hope for advancement only as a result of meritorious service.

The merit system has much to commend it. It is incomparably better than the spoils system. It recognizes the desirable principle of selection in accordance with qualification, and promotion only in accordance with efficiency. Now, if our legislators would only see it, the acceptance of the merit system by them would be good politics; for when a senator or congressman backs one individual for a position, he, of course, cannot put his influence behind any other, whereas under the system of competitive examinations, he can approve of as many candidates as wish to present themselves, leaving the final selection, of course, to be determined by the tests undergone. In this way he needs offend none, while actually encouraging and helping the most meritorious.

But the merit system will not of itself or automatically secure competent officials. It is necessary to provide sufficient inducements, honors, and rewards to make the service attractive to the kind of men who are capable of making a worthy success at home. One is not ordinarily going to give up the advantages of living in his own country and with his own people, particularly when the opportunities to make money are as good as they are in this wonderful land of ours, if he has to make a pecuniary sacrifice in order to do so. At the present time, the compensation in the two lower classes of the service to which appointments are made is only \$2,000 in class 9 and \$2,500 in class 8. This is entirely too low. These

amounts should be increased by at least 50 per cent. When the Chicago Association of Commerce wanted a representative to go to South America, it selected one upon a practical merit basis, and then paid him an adequate salary. This is the only method by which we can get competent men for the government service.

Furthermore, in my opinion, retiring pensions should be provided. This has been found necessary by the older European nations with their foreign service, and it would be particularly helpful in retaining in our service men who could look forward to a life-time career without facing penury when they were ready to return home at the end of their service.

Another very desirable feature is the building of permanent legations and consulates in practically all foreign countries. Some years ago I was in Hankow, the Chicago of Central China. Driving along the Bund, I saw the substantial, permanent buildings of the other nations, that of Russia being particularly impressive, but when I inquired for the American consulate, I had some difficulty in finding it in a little rented house on a side street. When I, myself, went to Tegucigalpa, the capital of Honduras, I found the consulate housed in a building which I absolutely would not occupy. It was only after a long search that I was able, with the small amount of money which the Department could provide for rent, to obtain a well-located and fairly commodious house.

I have said nothing so far about the general training for our consular officers. Shortly after the impetus given to the service in 1906, a number of our universities established special courses of training for consular and diplomatic, as well as for foreign commercial positions. Due to the failure so far of Congress to enact a comprehensive civil service law relating to the service and to a belief in some quarters that the merit principles had been applied in a somewhat quixotic way,\* this excellent plan for training those looking forward to the foreign service has, for the most part, been allowed to fall into disuse. This is unfortunate, for our consuls need to be men of broad general training and culture above all else.

The examinations, as laid down in the present regulations, are both oral and written, and include the following subjects: Inter-

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\* For example, the special examinations and the favoritism shown in assignments and promotions, due to political pressure. The loyalty and devotion on the part of those actually engaged in administering the service, especially the efficient director and the chief of the bureau, are deserving of the highest commendation.

national law, diplomatic usage, and a knowledge of at least one modern language other than English, to-wit: French, Spanish or German; also the natural, industrial, and commercial resources and the commerce of the United States, especially with reference to the possibilities of increasing and extending the trade of the United States with foreign countries; American history, government, and institutions; and the modern history since 1850 of Europe, Latin America and the Far East. The object of the oral examination is to determine the candidate's alertness, general contemporary information, and natural fitness for the service, including mental, moral and physical qualifications, character, address and general education and good command of English. In addition to the foregoing subjects, I would also include a knowledge of the fundamental principles of law. No special school need be established to provide the training required for the consular service. The universities throughout the land teach practically all the subjects mentioned above and are able and willing to train candidates, if a permanent, high-grade service is securely established.

And this leads me to say that in my opinion it is unreasonable to expect our consuls to be technical commercial experts. If they were this, they would not be good general administrative officers. Commercial attachés should be connected with all our larger and more important consulates, just as they are with those of the leading European countries. These attachés are charged with the duty of studying how to advance the trade of their countries. As yet, we have not followed this worthy practice. The European countries also generally have a much larger and better paid staff at their consulates than we have. Thus, the German consulate general in New York City has a force of thirty persons; in Chicago, seventeen; while in our consulate-general at Berlin, we have but eight persons, all told. As a result of this inadequate equipment, our consuls are so engaged with the routine work that they have but little time for serious study and investigation.

*Governmental Co-Operation:* It is not always realized how much the effectiveness of the consular efforts depends upon the organization of the home office. If this is adequately equipped and intelligently directed, much can be accomplished, but if the home office does not systematically direct the consular efforts, sustain their legitimate endeavors and popularize their reports, the work in the field will accomplish little. Thus, our European con-

suls were recently called upon to report the cost of production in their districts. They were, for the most part, unsuccessful in this quest for information, but nevertheless did secure much valuable material which the home office, through lack of funds, was not able to make use of. As with the consular service in the field, so with the management and equipment of the home office, there has been notable improvement of late.

In Germany, particularly, the co-operation between the government and the chambers of commerce is very close and effective. This may be due, in a measure, to the fact that in Germany the chambers of commerce are semi-official bodies, whose functions and activities are strictly regulated by law. They serve as the medium through which confidential information as to trade openings abroad is communicated to manufacturers and exporters; and they call the attention of the government to the grievances and suggestions of the business interests. With us there is practically no provision of systematic co-operation between the Department of Commerce and Labor and the various commercial and trade associations which are most affected by its work. If our chambers of commerce could help to disseminate the information which the Department receives, and, on the other hand, could advise and inform the Department of the needs of the various business communities, much practical advantage would result from this co-operation.

In Germany, the Department of Commerce is presided over by a director, who is assisted by several officials, called councilors, each of whom is charged with the study of one or more particular subjects coming within the scope of the Department. Thus, one studies transoceanic commerce, and another that of the Far East. The councilors are not called upon to do routine office work, but devote all their time to securing information relating to their respective fields. When the time arrives for negotiating a commercial treaty with a foreign country, or of framing a new tariff bill, the councilors are in a position to give authoritative information upon every topic of interest to German trade. Probably the most important work which the German department of commerce performs for the business interests directly, is in connection with the publication of foreign tariffs and of consular and trade reports. These are so explicit, so carefully gotten up, and so promptly printed, as to be of great practical aid.

A means successfully used by some European countries and Japan for promoting their foreign trade is the maintenance of commercial and industrial museums. These are often supported, at least in part, by public money and co-operate actively with the consular service. They contain collections of samples of foreign raw materials and manufactures. They thus acquaint manufacturers with the tastes and demands of the foreign consumer and thereby place them in a position to meet foreign competition successfully. One of the most popular of such museums is that maintained in Belgium. In addition to the collections, facilities are provided for communicating directly with the consuls on any subject of interest. The replies of the consuls sent in this way have created for the museum a place of distinct usefulness.

We should have such a museum here in our country, and preferably right here in Chicago, the great central market. It should be housed in an adequate building of its own, filled with carefully selected samples of the products of foreign countries of every kind of industry, both of the most primitive and of the most advanced. The samples should be chiefly of two kinds: the raw materials which our own manufacturers or importers can use to advantage, and the wonderful array of manufactured goods produced in this great industrial region. A museum of this kind should gather such information from all parts of the globe as would be helpful to our merchants and manufacturers. It should likewise be made a center of opportunity open to all to consult consuls, commercial attachés, and other officials whenever they return home. Notice of such visits could easily be published, and those interested in the export trade enabled to obtain at first hand, reliable information regarding records and trade conditions in foreign lands, such as they could scarcely gain in any other way. Such a museum as I have suggested would be a splendid work for this League, or else for the Chicago Association of Commerce, to undertake.

Another method often used by foreign governments is that of stimulating the establishment in other lands of official chambers of commerce. France seems to have been the leader in this movement. There are more than twenty-five such bodies receiving aid from its treasury. The French consul is usually connected with the chamber in an official capacity. The semi-official chambers of commerce in her colonies and in foreign countries have not only been fruitful sources of information, but are centers of fresh influence

and powerful factors in the development of foreign trade. Sometimes the home chamber of commerce will organize and finance a commercial mission to some foreign territory for the purpose of establishing close business relations between the two. Thus, the chamber at Lyons sent such a commission to Southeastern Asia with the result of placing considerable amounts of home capital and creating a good demand for home goods. Again, a considerable part of the funds of the Paris chamber goes to the maintenance of commercial schools and especially the endowment of traveling fellowships to deserving graduates. These students are expected to go abroad and make a study of commercial conditions, reporting upon the same when they return.

*The League Bill and the Lowden Bill:* You are aware that the first act passed by Congress grading and classifying the consular service, was in April, 1906. Payment by fees was abolished in this reform act and straight salaries ranging from \$2,000 to \$12,000 a year were provided. This measure marked a great step forward, but unfortunately the vital part, providing for the merit system in the appointments and promotions, was stricken out of the bill as enacted. President Roosevelt, by executive proclamation of June 27, 1906, immediately supplied the deficiency by providing for appointment to the lower grades of the service upon examination, and for promotion to the higher grades solely upon records of demonstrated efficiency.

President Taft, by executive proclamation of November 26, 1909, confirmed and continued the good work of his predecessor. The merit system, however, is still provided only by executive proclamation and, therefore, liable to be weakened or entirely disregarded by any successive administration. It is highly important, therefore, that we should go on and secure what has been given us by executive proclamation in the form of a duly enacted legislation. The public interests throughout the country are practically unanimous in this demand and no one can doubt that public opinion will in time force its adoption. But we should get this law at this coming session and not have it delayed any longer.

Now there will again be at least two bills presented at this session of Congress: the Lowden bill, and the bill drawn up and backed by this League. They are both alike in that they provide for grading and classifying the service, for holding examinations and for efficiency records, but they differ vitally in that in the Low-

den bill the Secretary of State is required only to report the names of those who pass the examinations, and also those worthy of promotion, to the President, who may or may not make his appointments and promotions from that list; while the League bill provides for entrance into the service solely on the basis of ability and efficiency, as shown in the examinations, to which candidates have been especially designated by the President, and likewise for promotion only after approval by the examining board, which shall be advised by the chief of the consular bureau in regard to the efficiency records of the candidates for promotion.

The Lowden bill thus has the great objection of leaving the President open to political pressure. Indeed, the very machinery of examinations and records could be used, if a President should so desire, as a cloak behind which to conceal his partisan and political appointments.

Now, the objection raised by Mr. Lowden and the Committee on Foreign Affairs of the House to the mandatory provisions contained in the League bill, is that it is unconstitutional in that it seeks to limit the powers of the President to appoint consuls, subject only to the advice and consent of the senate. This is undoubtedly a serious point and one which is not at all clear. It has been stated, however, that a distinguished constitutional lawyer has declared that there is no valid ground for the contention that to oblige the President to designate for examination and then to appoint from the list of successful candidates limits his prerogative of appointment. And this would seem to be borne out by the fact that both President Roosevelt and President Taft have earnestly recommended that such provisions be enacted into the law. If, however, the Foreign Committee becomes convinced that such grave constitutional objections to the measure are insurmountable, it would be entirely feasible for both houses of Congress to pass a resolution declaratory of the way in which access to the service can be gained and the service in general conducted. No President would want or would dare to act contrary to the will of the people thus expressed.

There is no doubt that the business interests of the country are becoming thoroughly alive to the necessity of having an efficient, non-political consular service. They have sustained and encouraged every effort which has been made to put the service upon a purely business basis. The press has been generous in its treat-



ment of the proposed legislation, and it seems entirely improbable that we shall ever again go back to the spoils system, but rather that the present status, secured by executive proclamation, will be enacted into law. A trained and efficient foreign service, effectively administered at Washington and actively supported by our commercial interests, and backed up by an aggressive public opinion, is of inestimable value to the growth and prosperity of our foreign trade. (Applause.)

THE CHAIRMAN: Is there any discussion of this subject, Gentlemen?

If not, we will stand adjourned until 10:30 o'clock tomorrow morning.

Whereupon an adjournment was taken until December 12, 1911, at the hour of 10:30 o'clock a. m.

### THIRD SESSION.

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TUESDAY, DECEMBER 12, 1911.

10:30 o'clock A. M.

The meeting was called to order by Chairman Sheldon.

THE CHAIRMAN: Gentlemen, after our successful day of yesterday, we are looking forward today to accomplish much more. Is there any business to come before the meeting?

MR. FROST: Gentlemen, if we are to accomplish anything by these meetings, if we are to get something done, we must get back of this action, and in order to do that it is necessary to see that the program that we formulate be sane and safe. This can only be accomplished by those things we hold in common; and, therefore, it is necessary that the resolutions that the committee formulate should be gone over by the different members. And it is necessary that we begin our labors as early as possible, in order that the last day some legislative program may be submitted that will meet with your approval, and back of all of which we can stand and push it to a successful culmination in the Congress; and, therefore, Mr. Chairman, I offer a resolution that the Chair appoint a committee of five on resolutions, with authority to draft and to submit to this body, for its approval, a program of action to be taken by the body.

Motion duly seconded.

THE CHAIRMAN: You have heard the motion. All in favor say Aye. Contrary, No.

Motion carried.

THE CHAIRMAN: The Chair will name as Committee on Resolutions: Mr. A. P. Nevin, of New York, Attorney for the National Association of Manufacturers; Mr. W. H. Stackhouse, of the French & Hecht Wheel Manufacturing Company, Springfield, Ohio; Mr. Otto H. Faulk, iron founder, Milwaukee, Wisconsin; Mr. Charles B. Boothe, merchant, Los Angeles, California; Mr. E. Allen Frost, Chairman, General Counsel of the National Business League of America.

You have heard the list of names for the Committee on Resolutions. On motion approved.

Gentlemen of the Congress: We will now listen to an address by Mr. John Kirby, Jr., President of the National Association of Manufacturers, on "THE RELATION OF INDUSTRIAL ABUSES TO OUR FOREIGN AND DOMESTIC TRADE."

(Applause.)

MR. JOHN KIRBY, JR.: Mr. Chairman and Gentlemen: I would not dare trust myself to talk to a body of men such as are assembled here without putting what I have to say in writing, and while you have my sympathies in having to listen to what I have written, I hope when I get through it will make some impression upon your minds, and that you will not, some of you at least, say, as many have said, "he is rabid and a radical and talks too plain." I am going to talk plainly, and I think, in view of the recent developments and the newspaper editorials that have appeared in the country during the last ten days, that I certainly cannot outdo some of the newspaper editors in radicalism.

This gathering of business men, representing practically every department of trade and commerce, has assembled in this great commercial and industrial center from all parts of the United States, for a purpose.

Now, what is that purpose? Is it merely for an interchange of views with respect to ways and means by which we may extend our trade with foreign countries? I think not. True, that is one of the subjects of our meeting here, but there are men in attendance who would not be here if that were the only subject they expected would be discussed at this congress.

The fact of the matter is, things are in an abnormal condition in this country. Political and social chaos prevails in this land.

We seem to be troubled with economic convulsions for which every man appears to be hunting a remedy and an avenue of escape.

On the one hand is the government making the lives of the managers of our great corporations miserable from fear that they will be dressed up in clothes that are distasteful to them, while, on the other hand, is the multitude insisting that many men who have been successful in business shall be compelled to don the livery of the "pen."

### A PANACEA FOR ILLS.

We seem to have gotten tired of the institutions which have made possible the great prosperity this nation has enjoyed. Many people seem to have become imbued with the idea that these institutions are back numbers, and that, because they afford opportunity for the poor man of today to become the well-to-do or the rich man of tomorrow, they should be discarded for something very much older, but disguised as new; and that something, they know not what, should take the place of these tried and successful institutions, in the hope that a panacea for the ills of society may, perchance, be found.

Some people have an idea in their minds that to make a rich man poor is the way to make a poor man rich, and their whole line of action is in that direction. They covet riches, but they are misguided in their notions about how to acquire them, and they go about strewing the road to success with thorns and thistles, and barricading the avenues which lead to opportunity and wealth. Such people have always existed and they will always exist; but, just at this time, they seem to have taken on a new lease of life and inhaled an unusually large gust of discontent. Some of them are more or less sincere in their theories about how society should be organized and regulated in order to provide a more equal distribution of wealth, but many of them are manifestly demagogues who prey upon ignorance and "who favor anything to get coon." They would destroy confidence, yes they have destroyed it. They would turn the nation upside down or reverse its progress and development in an effort to promote their own greedy and selfish interests. They march up and down the land inflaming the masses against our established institutions, and preaching Socialism under the guise of progressivism, just because they think it is popular, and will help them to reach their goal.

The muckrakers, the yellow journals, the so-called uplift magazines, have filled the minds of the people with the most fallacious and Socialistic ideas about the great harm "the interests," the great business activities upon which labor is dependent for employment, and trade and commerce for activity, are doing the common people, whereas, as a matter of fact, the people would be much more "common" than they are now were it not for these "interests" and the captains of industry who direct their management; indeed, they would soon find the level of the Mexican peon.

The present ills of society are more imaginary than real, and are not the result of any real cause. They have their existence largely in the imagination of the agitator and the "space-writer," who live and thrive by sowing the seeds of discontent, envy, malice and Socialism.

This muckraking and efforts of agitators to overthrow existing conditions are not of recent origin; indeed, they have existed since the beginning of recorded time; always ready and anxious to destroy the beneficent work of others, obstruct the onward march of progress, and develop chaos.

To illustrate the fact that the existence of these evil conditions and the enemies of the peace and welfare of society who develop them are not of recent origin, I will quote from a speech delivered in the United States Senate more than seventy-eight years ago, by Daniel Webster, in which that illustrious Senator said:

"There are persons who constantly clamor. They complain of oppression, speculation and the pernicious influence of accumulated wealth.

"They cry out loudly against all banks and corporations, and all the means by which small capitals become united, in order to produce important and beneficial results. They carry on a mad hostility against all established institutions. They would choke up the fountains of industry, and dry all its streams.

"In a country of unbounded liberty they clamor against oppression. In a country of perfect equality, they would move heaven and earth against privilege and monopoly. In a country where property is more equally divided than anywhere else, they rend the air with the shouting of agrarian doctrines. In a country where the wages of labor are high beyond all parallel they would teach the laborer that he is but an oppressed slave. Sir, what can such men want? What do they mean? They can want nothing, sir, but to enjoy the fruits of other men's labors. They can mean nothing but disturbance and disorder, the diffusion of corrupt principles, and the destruction of the moral sentiments and moral habits of society. A licentiousness of dealing and of action is sometimes produced by prosperity itself. Men cannot always resist the temptations to which they are exposed by the very abundance of bounties of Providence and the very happiness of their own condition."

### ARE WE HEWING TO HAPHAZARD LINES?

As fitting as these words were to the conditions of the times in which they were uttered, they are no less appropriate to the conditions existing today.

Many people who have not shared in the prosperity of the country to the full extent which they think they should have done, attribute the failure to realize their hopes and expectations to what they choose to call "the system." That is to say, the basis upon which society and business are organized. They never stop to ask whether the real cause is not inherent in themselves, or whether, if society were organized along the lines of their own ideas they would be better or worse off than they are. Such people are always ready listeners to the oily tongue of the theorist and the demagogue and receptive of their specious arguments. They are experts at destruction, but for construction they rely on the men and the system they so bitterly condemn.

Our forefathers marked a line, and as long as we hewed to it the nation progressed, but we seem to have lost that line and are now hewing to haphazard and broken lines.

What the result will be if we keep on in that way we can only predict. But it is most likely to be chaotic and disastrous.

### FOREIGN AND DOMESTIC TRADE.

Coming now, more specifically, to the subject assigned to me: "The Relation of Industrial Abuses to Our Foreign and Domestic Trade," I wish to direct your attention to some points of interest in connection with our standing in foreign markets.

We have arrived at a wonderful period in our industrial development. A period where many problems confront us that are pressing for solution to a greater degree perhaps than ever before, and some of these problems are comparatively new. Among them is the manner and extent to which men and capital may combine or unite for the development of industry and the conservation of energy, the securing of adequate monetary returns and at the same time meet the just requirements of the laws of the land, as expressing the interests of the whole body of the people.

Another problem is the relations of the employer and the employed, and the methods by which they can work in harmony and further their mutual interests.

A third is the problem of wider markets for the products of our mills and factories as well as our farm products.

At this time many great industries not only have the capacity to supply all the present and immediately prospective requirements of the United States, but have a surplus capacity adequate to meet the need of a much larger population.

To utilize the surplus capacity, therefore, we need to exploit the markets of foreign lands.

This is a trite topic in many respects, for the desirability of securing foreign markets has been preached to, and urged upon, the business men of this country by diplomats, statesmen, consuls and editors of trade papers for many years. According to some of the most ardent advocates of export trade, the American manufacturer has been derelict in his duties in that respect. To accept this as a truth would be to accept a greatly exaggerated statement. Whatever may be the shortcomings of the individual manufacturers, taking the manufacturing class as a body, they have done as well in exploiting foreign markets as their rivals of other countries, under the conditions which have surrounded and do surround the industries of this country.

It is not the business of the manufacturer to cultivate export trade merely for the sake of saying that he is an exporter. It is his business to so utilize his resources and capacity as will bring the most beneficial and lasting results to himself, his associates and his employees, whether the market be local, country-wide or world-wide.

To say that this country, or that country, leads the United States in the exports of this or that article or commodity, means but little; it does not necessarily mean that that country is more prosperous, or the exporting manufacturer more successful, or the volume of business larger than that of the manufacturer of like commodities in this country, who may not have sought foreign fields.

Too little thought is given by the critic of the American manufacturer to the enormous extent of our home market, and to the rapidity with which it grows over a period of years.

Nevertheless it is wise forethought in manufacturing and merchandising to cultivate as broad a field as is practicable, in order to be prepared for local or transitory changes, which at one time or another will be affecting the particular or local markets of every industry.

Therefore, personally, and as representing the great Association of which I have the honor to be President, I am heartily in favor of encouraging the serious efforts made by our manufacturers in seeking the trade of other lands. In fact, the National Association of Manufacturers, when organized sixteen years ago, made special efforts to provide the manufacturers of that day with the information and personal service which would enable them to intelligently look into the possibilities of the foreign field, and that work has always been maintained as an important branch of the activities of the Association.

If we glance at the records of our export trade at the time that Association was formed and compare them with the records of the present day, we shall see that we have made great advances as an exporting nation in manufactured products, and that advance has been due to the manufacturers themselves in the individual efforts, and in their co-operation through such bodies as the National Association of Manufacturers, in providing ways and means for the use of intelligent effort in the export field.

To specify, let me give you some comparisons of the exports of some of our manufactured articles. For instance: in agricultural implements, our exports from the period mentioned, 1895, to the present time, have increased about seven-fold; our exports of cars, carriages and vehicles generally are thirteen times greater; those of drugs and chemicals have trebled; while in the exports of manufactured copper there has been a more than seven-fold increase, showing that we are well living up to our advantages in this respect as the great copper producing country.

In the textile lines, where individual skill of the operative is so great a factor, it is encouraging to note that our exports of manufactured cotton have trebled in this period. In the manufactures of rubber, the raw material for which we must seek from another land, the increase has been eight-fold; in scientific instruments, where not only individual skill, but a high order of intelligence is necessary for their manufacture, the increase has been more than six-fold; in the great industry, where skill, intelligence and capital are so largely required and which goes so far to promote the comforts of mankind, viz.: manufactures of leather, the increase has been far more than three-fold. In another article which promotes the health of mankind through cleanliness, viz.: soap, our exports have more than trebled in this period, while in the great wood-



working industries, where it is quite natural that we should be looked upon as prominent, our exports have advanced nearly four-fold.

In the great iron and steel industries, the ones in which in many lines there has been the keenest competition with foreign nations, the combination of American capital, highly trained labor, intelligent utilization of resources and systematic cultivation of foreign markets has resulted in a seven-fold increase in the value of our iron and steel exports in 1911, as compared with 1895.

Now, these figures are merely multiples of comparatively small quantities in the earlier year, but in all the instances cited, the export values amount to many millions of dollars, making a grand total in 1911, of over \$900,000,000 for the exports of manufactured and partly manufactured goods of this country, or nearly half of our total exports.

I have referred to these increases in our exports as a proof that the American manufacturer has by no means been asleep in finding a market in foreign countries for his goods.

If you will compare these figures with the increases in the export of like articles from rival manufacturing nations, you will find them by no means discreditable to the efforts of our manufacturers in securing foreign markets.

But our enterprise in meeting home requirements, and providing in many cases increased capacity in advance of these requirements, makes it practicable and desirable to seek still more strenuously for foreign outlets for our manufactured goods.

We have many suggestions offered and measures advocated for aiding in this work. Some go so far as to say that we cannot greatly increase our trade unless we have our own Merchant Marine, American banks abroad, reciprocity treaties with foreign countries, and more effective consular service, etc.

Our manufacturers as a body, and particularly the National Association of Manufacturers, are always ready to lend their influence to promote these and other measures that will be for the best interests of our industries and the country in general.

But we, as manufacturers, realize that whatever aid may be given us through government or other outside sources, it remains with us individually to secure the orders which may be available for the manufactured goods of the United States—that is we must go

after the business ourselves, or seek it through our own direct representatives or agents.

There are few instances in which the lack of American owned or controlled transportation or banking facilities prevent our manufacturers from competing on practically even terms with those of rival nations, but wherever we can improve those facilities to our own advantage, we should lend our influence to bring about that improvement.

There is one influence which is as potent, if not more so, than any above referred to, for affording opportunities and encouraging the use of American products in foreign lands. I refer to the investment of American capital in foreign countries.

Our own capital requirements, until comparatively recently, have been so great as not only to remuneratively absorb the available money of this country, but have also caused us to draw largely on the capital of the older nations of the world. Now, however, American capital is seeking investment in Canada, Mexico and South America. We all know the excellent results of our large investments in Canada. We also have a pretty fair idea of the returns to this country of the \$750,000,000 invested in Mexico.

It is now estimated that there is \$150,000,000 in Cuba; \$50,000,000 in Brazil; \$40,000,000 in Argentina; \$35,000,000 in Peru; and \$40,000,000 in Central America.

A glance at the increase of our exports to these lands will show that these investments have had their influence in increasing the use of our manufactured products therein.

The market for British goods in Latin-America has been largely created, and to a great extent maintained, by the investment of British capital in the railroads and other enterprises of that region.

In recent years, important concessions for railroads have been granted to Americans in Brazil and Uruguay, and the result is that as these railroads have been started and built there have been opportunities (which opportunities have been taken advantage of), for the equipment of those roads with American locomotives, cars and numerous other articles necessary for railroad purposes.

But it is not in Latin-America alone that the American manufacturer has opportunities for a lucrative market, great as these opportunities are and rapidly as they will grow.

There are other lands which are developing, some of which a few years ago were looked upon as almost valueless for many classes of manufactured goods. I refer particularly to China.

When the political troubles now rife in China are settled, as we trust they will be in the best interests of the people, and maintaining the territorial integrity of the country—there will be seen there, in a comparatively short time, industrial development which those fairly familiar with China a few years ago would scarcely have believed possible.

But progress is in the air in all regions of the earth. The oriental nations are becoming imbued with the Eastern spirit of enterprise, and to some extent, its materialism. This also means in nearly all countries the development of manufacturing industries within their borders. But this need not alarm us as a nation if we can secure fair treatment as against competitors in the markets of those countries.

The gradual development of manufacturing industries in other lands tends to provide a market for a wider range of manufactured articles necessary to the growth and continuance of these industries, and at the same time educate the people of those countries to an appreciation of a higher and better quality of goods, which will always be demanded and supplied by nations having the intelligence and enterprise which will enable them to keep in advance of rivals in industrial achievement.

### RESPONSIBILITY OF INDUSTRIAL ABUSES.

Speaking more specifically of the relation of industrial abuses to our foreign and domestic trade, there are, of course, numerous forms of industrial, as well as commercial abuses, which might be dealt with in lengthy detail, but I shall call your attention only to those which more seriously affect the cost of our wares, and whose tendencies are to produce results detrimental to our interests as a nation in trade competition with other countries.

A great hue and cry extends from one end of this land to the other, and the country is rife with protests against and in denunciation of so-called business trusts. Practically every industrial aggregation is dubbed a trust. There appears to be little, if any, discrimination made between them. Every large corporation and

every successful man is paraded as a trust unit, and all are made the target for muckrakers, charlatan politicians and disgruntled cranks.

### **BRAINS AND CAPITAL.**

It is to the combination of brains and capital more than all else that this country owes its wonderful and rapid development, and to the vast opportunities for labor and capital that have been recently opened up as never before in its history. But because some men seize these opportunities, while others do not see them, or, if they do, fail to grasp them, they are heralded as enemies of the common people, and, because of the seeming popularity, legislative restrictions are thrown around about their thrifty and enterprising tendencies.

### **BENEFIT OF LARGE CORPORATIONS.**

However great may be the fault found with some large corporations, the operations of many of them seem to have been beneficial, rather than otherwise, to the common good.

Do not misunderstand me! I am not defending combinations or individuals who intrude upon the rights of others, nor those who carry on their operations in violation of the laws of the land, or in restraint of trade and commerce. That is not the purpose of my reference to this subject. It would, indeed, be a dangerous thing for this country to ignore or permit the unrestricted power of great corporations or combinations, whether of capital or labor, in the monopoly of commerce and industry, or in the monopoly of the labor market, and proper restrictive legislation should and must protect the citizens against the use and opportunity to use such power, but the difficulty lies in drawing the line.

### **THE SHERMAN ACT.**

Let us reason together for a moment. The Sherman law was enacted in 1900, just at the beginning of the so-called trust era in this country. Many of the large corporations now being prosecuted, or which have been prosecuted under its provisions, have formed since that time, and in accordance with the advice of the best legal talent obtainable.

Now, it seems that the literal enforcement of that law operates to destroy a business policy which has proven to be the mainspring

of our national greatness, for, during the era of large business corporations and combinations, this country has advanced and our foreign trade increased to proportions never before dreamed of.

As a single illustration of the far-reaching advantages to be realized from these great enterprises, I will refer to a personal instance. In 1881, I had occasion to go to my grocer and procure a gallon of kerosene oil for which I paid 40 cents. I can now buy the same quantity of a much better grade of kerosene oil for 10 or 12 cents, and I am wondering how long the latter price will prevail under the dissolution plan reverting the Standard Oil Company into its original 34 separate parts.

But it is not my purpose to discuss the Sherman law, nor the prosecutions which are being enforced under it. There are other speakers here to whom that subject has been assigned. But, as bearing upon my own subject, it is fitting that I should refer to it and to say that the real abuses, possible if not probable, to which monopoly in trade may lead should be guarded against by proper legislation, lest those abuses prove a barrier to both foreign and domestic trade.

We should remember that it was ruthless competitive methods that forced business combinations into existence, and if my experience teaches me anything, it is that a return to those methods will retard our development and lessen our export trade, for it is now an established fact that large aggregations in industry can produce more cheaply than can segregated units in the same kind of manufacture, hence they are in better position to extend the export trade of the country.

A few years ago, a strenuous effort was made to have the Sherman law amended, and the proposition was (as many manufacturers view it) to "jump out of the frying pan into the fire." The "distinguished" Samuel Gompers was selected to preside over the convention called to consider the question, and he became the leading spirit in the movement.

His murderous, monopolistic labor machine was to be exempted from the criminal provisions of the law and was to be given carte blanche in the use of the boycott and other destructive agencies, declared by the Supreme Court illegal and intolerable, and which, with business men, never would be tolerated, Sherman law or no Sherman law. The effort failed, as it should, and as it

always will when it is proposed to remove any of the restrictions now placed upon organized labor's determined policy and methods to either control or ruin the commerce and industries of this country.

I believe that if a few sane, level-headed business men would take the matter seriously in hand with the avowed purpose of separating the wheat from the chaff, they could prepare, either an amendment to the present law, or an entirely new law, which, while prohibiting harmful trusts, would foster the advantages to be obtained through business combinations that recognize the doctrine of "live and let live," and do it in such concise and comprehensive manner that any man could tell when he is or is not violating the law, and which would warrant and receive the solid backing of all fair-minded men.

I believe, too, that such a measure, which might also embody a reasonable provision for governmental supervision over the capitalization and stock and bond issues of aggregations of corporations under one head, would be enacted into law by an intelligent and honest Congress. But any proposed tinkering with the Sherman law which would open the way for free and unrestricted use of unfair or coercive methods in dealing with competitors in business, or provide for the removal of any barriers to the baneful methods of organized labor, will meet with sufficient opposition to kill it. We are living in an age of organization; an age when but little can be accomplished except through organization; an age when we must cope with organization; an age when organization alone can preserve your industrial freedom and mine.

And the sooner all business men, including farming interests, learn the lesson that the preservation of their industrial and commercial rights are dependent upon organization, the sooner will those rights, which are now hanging in the balance, be assured.

But all abuses incident to the power of organization should and must be guarded by the strong arm of the law.

Furthermore, the present vigorous attacks upon business corporations and business men, while the federal government refuses, point blank, to prosecute the labor trust, is, in my opinion, a disgrace to our political system, and a blot upon American jurisprudence.

### THE THORN IN OUR FLESH.

I now wish to call your attention to a form of organization, the abuses of which so far exceed all other industrial abuses as to make them appear infinitesimal and of little consequence in comparison. I refer to the American Federation of Labor, and its constituent unions. The purpose of this outfit is to have the workers control the employers' business in matters pertaining to the management of employes; to dictate who may or may not be employed. The conditions under which labor shall be employed; the amount of work a man shall perform for the wages he receives; the number of hours he may work, or pretend to work; the number of our American boys that shall be permitted to learn trades and thus become useful and industrious citizens, and the number that shall be turned adrift to become vagabonds or tramps, or whatever fate may have in store for them; to constitute itself a trust for the absolute monopoly of the labor market, whereby it may grant or withhold, at its pleasure, privileges, the power to grant which rests alone in the state and nation. It does not, however, propose to assume the responsibility of providing for the payroll, nor for the furnishing of brains or the genius requisite for conducting a successful business. These matters it very graciously proposes to leave to the owners of the business.

### A TERRIBLE RECORD.

The record of this organization and the acts and utterances of its officers, leave not the shadow of a doubt that its policy is to employ any means, no matter how brutal, unlawful or unreasonable, that will tend to promote an industrial condition in this country in which the employing classes shall be absolutely at the mercy and dictation of the gigantic and merciless labor trust, which, as I have said on other occasions, proposes to say to the farmer that he shall either harvest his crops under its rules, or permit them to perish; to the manufacturer, that he shall neither produce nor transport contrary to its will; to the merchant, that he shall neither buy nor sell, unless his wares bear the brand of its approval; to the laborer, that he must wear its yoke or starve; and to those who belong to none of these classes, that they must suffer the wrongs, submit to the losses and pay the penalties to which its rules subject them.

### A FAIR EXAMPLE.

It is needless for me to take up your time in discussing the relation of the abuses of such an organization to our foreign and domestic trade; the effect is apparent on its face; but I will cite one instance of the result of the domination of this octopus which will suffice for all.

"The Review says that in 1904, San Francisco had 4,500 factories with \$239,000,000.00 of capital invested in industrial establishments, and 44,875 employes. In 1910, she had 1,398 factories, with \$79,000,000.00 of capital invested, and 14,000 employes, a loss of more than two-thirds of her industrial strength."

In comparison with this extraordinary result, look at the wonderful growth of Los Angeles in population and in industrial pursuits during the same period, and then, if you please, give due credit to General Otis, the one man above all others, who stood like a rock, and fought like the hero he is, for freedom in industry, and to whom this country owes a debt of gratitude it can never repay.

### A SOLEMN WARNING.

To the citizens of this country, especially to politicians; the National Civic Federation; the General Assembly of the Presbyterian Church, which is responsible for the words and acts of Rev. Charles Stelzle, and officials of churches and educational institutions, I say to you all, and I say it knowingly and with deliberation:

Be not longer deceived by shams and cunningly devised hypocritical statements, for the institution of which I am speaking has proven itself to be a cold, merciless and murderous organization, having not the slightest regard for the flag of our country, which Gompers trampled upon at San Francisco recently, while haranguing a crowd of his followers, nor caring in the slightest degree about the brotherly love and uplift of humanity that its officials talk so much about.

David M. Parry told you this in 1903, at New Orleans, and I am repeating it now. Gompers told you the same thing when he said, "Go to hell with your injunctions."

It is to be hoped that the McNamara confession, and the facts which will be developed by the Department of Justice through Federal grand juries, will not only result in the arrest and punishment of organized labor leaders, organized bands of murderers, but that



it will influence you and every patriot and Christian to such a determined opposition and relentless condemnation of existing evils, that law-defying unionism, socialism and anarchy, will meet with such signal and overwhelming defeat as to establish the fact that "This government of the people, by the people and for the people shall not perish from the earth."

### THEY NOW SHOUT, "HANG THEM."

For once, yes, and for the first time in the history of the accursed thing, we hear them shouting, as unto Heaven, "Hang them, Hang them!" Men who are as guilty as the McNamaras themselves, are shouting the loudest. Why? Is it because that, as law-abiding citizens, they conscientiously feel that justice should have its reward? No, no. It is because they have confessed. And why did they plead guilty? It was because, first, the noose had been drawn tighter and tighter until every avenue of escape, except through a bought jury, seemed impossible; and, second, because the man who was retained as the one man who could clear them whether guilty or innocent, met his match in Prosecutor Fredericks, who in several instances, had locked in his own safe bribe money which, it is said, passed through that man's hands or was paid by his orders; and not only did the prosecutor have the money, but he had the confessions of the parties who received it. How the heart of counsel for the defense began to melt in sympathy for the lives of their clients as soon as they realized that Mr. Fredericks was on to every crooked move that was made, and that the bribe money was locked up in the prosecutor's own safe! Do you wonder why they changed their pleas?

### HAVE MY CRITICS CHANGED THEIR MINDS?

I have repeatedly stated publicly that the type of unionism represented by the American Federation of Labor, and advocated by Gompers and Mitchell is as great, if not a greater menace to society than was the Ku Klux Klan, the Molly McGuires, the Mafias and the Black Hand societies, and I have many times been called rabid and radical for saying so, by men who ought to have had more sense, because I told the naked truth without slobber or whitewash. And now every newspaper in the country is saying the same and more. I wonder if my critics have changed their minds.

### "I AM ASTOUNDED!"

When Gompers, upon being advised of the confessions of the McNamaras, said: "I am astounded! I am astounded!" I believe he spoke the truth, but when he said that his "credulity had been grossly imposed upon," I believe he lied, and so does everybody who possesses an ounce of common sense. He was astounded at the confession of the McNamaras, but not at their guilt. When McManigal confessed, Gompers branded him as a fakir, and said he was a tool of Burns who, in turn, was the hireling of a great capitalistic conspiracy to destroy organized labor; that he knew the whole story to be a "frame-up" and that the McNamara brothers were absolutely innocent; that a guiltless man had been kidnapped, and much other tommyrot, and he has steadfastly maintained that attitude until all of a sudden he was "astounded."

Now, who for one moment believes that a man of Sam Gompers' cunning, with McManigal's confession made public, with the same and greater opportunity than other people had to know the facts, and with full knowledge of the 100 or more cases of dynamited non-union bridges and other structures, with the repeated cases of murder and slugging of non-union men going on constantly and everywhere in labor disputes, could be so simple-minded and so gullible as to feel as positively as he has pretended to have felt, that those men were the innocent victims of a conspiracy to injure organized labor? Really, is not the proposition so absolutely ridiculous as to make the man "look like thirty cents?"

### THE "SAINTLY MITCHELL."

Now, men, there is no sense in trifling with this question any longer. It has been nursed and coddled too long, and we know the result.

The "Saintly" John Mitchell has just finished the publication of a series of twelve weekly articles on the various phases of trades unionism of the kind for which he stands sponsor. I doubt if very many people have read them, but I have read them to see what he would say about the thousands upon thousands of cases of murder, slugging, intimidation, coercion and violence perpetrated by members of his pet organization, under the sanction and direction of

its officers, and for which many of them have been fined or sent to prison. I have looked for some reference to some case where he and Gompers had voiced their protest against such practices, and where they had inaugurated some move to put an end to them. I have looked for some reference to the damnable conspiracy that was on trial at Los Angeles. But, if anything of the kind worthy of mention, which is not couched in smooth and oily apologetic language, is to be found in any of those articles, it has escaped my notice. They are made up of platitudes, sophistry and sop, cunningly designed to hoodwink the unwary reader, just as all of his utterances have been studiously calculated to deceive and mislead. The last of these articles was published Sunday, December 10th, ten days after the McNamaras pleaded guilty, and yet John Mitchell ignored the incident and said not a single word in condemnation of the crimes committed in the name of the organization he attempts to defend. Practically the whole of his twelfth article is devoted to deriding my utterances against the abuses of organized labor.

The little incident at Los Angeles was apparently not of sufficient importance to receive recognition at his hand at the price per line he was paid for writing it. I will not take up your time nor waste mine in further answering John Mitchell. The McNamara brothers have justified fully every criticism I have ever made of John Mitchell and his organization. Permit me, however, to quote one paragraph from a remarkable editorial which appeared in the New York Sun, December 6, 1911, and which every man in this country should read. The editorial refers to the conspicuous moral heroism of a few men as follows:

"Loewe, who defied the whole Federation and stated that he would go back to the bench as a journeyman hat maker before he closed his shop to any non-union worker; Van Cleave, who saw the great business which his industrial enterprise had built up slowly disintegrating, and yet fought on until death—possibly hastened by acute anxiety—ended his trouble; Davenport, a type of the best lawyer who developed the testimony upon which the victories for law in the Danbury hatters' case and the Buck stove case were largely won; Burns, who taking his life in his hands, as did McParlan in the days of the Molly McGuires, never ceased his investigation until he had woven the net about the dynamiters so strongly that no cunning could break through it."

### THE FIRST PROTEST.

Not until the McNamaras confessed and laid bare to the world the horrible truth, was there ever a protest uttered against such things by the militant labor unions or their officers. But when that terrible shock came there went up a loud cry against violence and a demand that the McNamaras be hanged. Of course, this was done as a last hope to save the life of the organization in whose behalf the McNamaras perpetrated the heinous crimes for which they have been sentenced. Let it be remembered that the whole bunch stood solidly behind the whole gang of murderers right up to the moment of the final and positive exposure.

### "HUSH! DON'T SPEAK SO PLAIN."

Men, hear me! I tell you candidly, fearlessly and as seriously as I know how, what I have for years been telling the people of this country, and what many well-meaning men have censured me for telling in plain language, and that is that every law-abiding, self-respecting, thinking man in this country, whatever he may be, a day laborer or a bank president, or whatever be his calling, should turn his face like adamant against any organized system that makes possible a condition such as has been exposed at Los Angeles.

There is no use to mince matters nor to blind your eyes to a thing that stands out as bold as the shining sun. Now, is there any sense in permitting such men as John Mitchell to throw sand in your eyes? I have no patience with men who say, "Hush! Don't speak so plain." It is that sort of mollicoddle nonsense that has helped to advance the curse to where it is, and I say to you that it is the plain bounden duty of every decent citizen to help wipe the thing from the face of the earth. The coward who shirks that duty is but little if any more worthy of the respect of his fellow-citizens than are the men who constitute a part of the conspiracy itself.

If labor cannot organize and behave with decency and justice, then, in God's name, I say it has no business to be organized, and the rest of the people should see to it that it is not. In speaking of business interests, it has been altogether too common to omit the farming interests, and it is time now to include them.

The farmer is as much a business man as the manufacturer or merchant, and by recognizing this fact and all working together in

a common cause we shall yet be able to save this country from the throes of dynamite and coercive unionism and to restore to every American workman a free passage to and from his labors. (Continued applause.)

THE CHAIRMAN: Gentlemen, as the hour for adjournment is getting near and there is still another address to be made before this session is over, in this debate we will have to limit the speaking to, I think, about five minutes for each speaker in order to get through. The subject is now open for debate.

If there is no debate we will hear the address of Mr. Frederick Townsend Martin, of New York, on "Compulsory Insurance." (Applause.)

## COMPULSORY INSURANCE.

BY FREDERICK TOWNSEND MARTIN.

Mr. Chairman and Gentlemen:

I thank you with all my heart for this opportunity of addressing you on a subject which seems to me of the greatest importance, not only to the business and work-a-day world, but to the entire Nation.

In the name of progress, economy, justice and humanity I stand here to urge you to take measures that shall result in legislation for Compulsory Insurance.

### PROGRESS.

During the past century great labor-saving inventions, the application of steam and electricity to machinery have completely transformed the industrial world.

Laws, customs and methods adapted to the old order of things have proved entirely unsuited to the new. The immense progress made in the arts and sciences have found no counterpart in the laws and customs which that progress demanded.

We often discard machinery that is five or ten years old, for something better, but we are content to live under laws and practices which have remained almost unchanged for three centuries, and which have little to commend them except their antiquity.

In the world of mechanics, of manufactures, of physical science and of commerce the inventive mind is constantly on the alert to discover better, simpler, more economical or more effective methods, while the legislator boasts of treading the highways of antiquity, as if there were no unexplored regions in the field of social or political science, no discoveries to be made, no reforms to be achieved.

The premise from which I proceed may be summed up by the maxim "*Every man is entitled to a living.*"

If a man's life is sacred, if he is not to be stricken down by the assassin, so his right to a living shall be guarded. He shall not be allowed to starve. The right to life and the right to a living are not to be distinguished.

To quote Ecclesiasticus: "He that taketh away his neighbor's living, slayeth him." And "He that defraudeth the laborer of his hire, is a blood-shedder." The great Montesquieu maintained that the State owes to all of its citizens an assured subsistence and a mode of life consistent with health.

To Carlyle it seemed a platitude of a world in which all working horses could be well fed and innumerable workingmen should die starved. A civilized nation must, necessarily, act upon the principle that no person within its limits shall perish for lack of food, clothing or shelter.

Therefore, it must decide in substance that the product of labor of a given generation must support *all* during that generation; but while the industries of a community ought to support the great body of workmen, every industry ought to support those workers who devote themselves to it. If a given industry does not pay the necessary living wage; it is not a self-supporting industry. It is in a measure parasitic.

#### EMPLOYERS.

If all employers were a unit and if this unit were intelligent, however merciless it might be, confronted with the problem of procuring labor merely upon hard business principles, keeping in mind both cost and efficiency, seeking the lowest cost consistent with high efficiency, it would consider how much it would cost to rear the human being or the class of human beings best fitted for its purpose. It would consider how long a period of infancy must precede his capacity to work and what loss from death would occur during that period. How long the natural term of labor may be and how much diminished by premature death.

What allowance must be made for incapacity resulting from accidents, from sickness, from invalidity of any sort. How long a period of dependence there would be after working days were over. It would find that, for the best results, this workingman and his family must be well clothed, well housed, well fed, and he must live and work under proper hygienic conditions.

He must have hospitals, medical and surgical attendance in illness and after accidents; it would even find that to a certain extent he must be educated and have mental and moral training. Having determined this cost, *it would pay that and nothing more*. In other words, it would act as intelligently, not to say humanely, in rearing a workman destined for efficient labor, as it now does in rearing a beast of burden.

### EMPLOYEES.

On the other hand, labor acting with similar intelligence and singleness of purpose and making similar allowances for waste, could and should demand nothing less than the cost of living for the whole period of life.

### WHAT BOTH EMPLOYER AND EMPLOYEE IGNORE.

It practically happens, as though through some inadvertence, that in making a contract of the greatest possible moment, both parties seem to ignore absolutely certain very important elements.

The contract is made as though sickness, accidents, invalidity and old age had been permanently banished from the earth. The daily wage is sufficient only for daily necessities. A man entitled to support for a lifetime unwittingly consents to a wage based upon a portion of that lifetime.

The disparity between the wage paid during the period of earning capacity and the wage sufficient for the workman's support throughout his life is most striking in dangerous and unhealthy employments.

If the industry, paying what is a living wage for the moment, merely exhausts its victim in twenty years or less, as is frequently the case, it has drunk the wine of the wage-earner's life and left to him, or to society, the dregs.

It has often wastefully used up this human material and thrown the wreck aside as remorselessly as though it were inanimate machinery.

This subject has usually been discussed as though it concerned individuals or classes, the employer and the workman. That might be a safe policy if the parties to a labor contract met on equal terms, but we cannot ignore the fact that *there is no industrial equality between them*.

The rate of wages is such as to bring the scale of living very near to what is vaguely termed the point of subsistence.

#### IN AMERICA.

We are apt to think of the laboring classes in this country as well fed, well clothed and well housed and not proper objects of solicitude. We are incredulous when told that Germany's poorer classes, though less favored by circumstances, maintain a higher level of well-being and a far higher level of vitality than those of either the United States or England. Yes! It is true that we know less about the poverty of our people than almost any other nation of the Western world. Americans work themselves out at an earlier age and are more subject to fluctuations of employment than European workmen and industrial accidents are much more frequent.

There could undoubtedly be found in many manufacturing towns, both in England and America, families who have not once caught a glimpse of prosperity in four generations, nor once been separated from actual want by an interval of say, thirty days. For such workmen, poverty is not mere destitution. There goes with it apprehension as to the future. There goes with poverty, too, the consciousness of the loss of dignity and manhood; the knowledge that there is left no capacity to make the contract for labor on equal terms.

#### CAUSE OF POVERTY.

There is a feeling too general that poverty and pauperism are the results mainly of intemperance and of improvidence, and we sometimes think that we see in them a sort of retributive justice. Statistics, both in England and America, indicate most decidedly that only a small part of existing pauperism is traceable to intemperance, while most is attributable to misfortune.

I have in mind the figures compiled by Charles Booth for the London Statistical Society; and Warner, for American Charities. It would seem reasonable to expect certain indiscreet consequences of a defective wage system.



Without going into the matter in detail, it is material to note the extent of poverty among workmen in its various forms. Time does not permit me to give definite figures; nor is it necessary for our purpose, but the investigations of many competent observers lead to the conclusion that more than one-half of the families of the country and nine-tenths of those in the cities and industrial communities are property-less.

In a group of states, including Massachusetts, one-fifth are in poverty, so says Professor Richard T. Ely, in the *North American Review*.

### PROSPERITY.

Too frequently the dazzling splendor of great wealth blinds our eyes to the real significance of the signs of the times, and we think we see evidences of great National prosperity in the very phenomena which really indicate Social injustice—a condition where the man who toils is invited to bask in the reflected warmth and light of another's prosperity.

### PAUPERISM.

There are property-less living in some degree of comfort, but each month's earning supplies but a month's necessities. The victims of poverty who constantly feel the bitterness and sting of want—paupers clinging like parasites to society.

Their transition downward is easy. The property-less are on the verge of poverty. Those in poverty are on the verge of pauperism, and from the lowest stage of pauperism there seems to be no return.

A pauper is the victim of poverty who surrenders. The capitulation is abject, absolute and unconditional. Having acquired the hated badge, he is content to wear it for life and bequeath it to his children.

### PROBLEM MUST BE SOLVED.

Society has here a problem of great importance. It must solve it with reference to all of its phases—social, economic, industrial and ethical.

We live in a progressive age. The initiation of social experiments; the triumphs of social legislation are proclaimed to the whole world; these problems are virtually the same, whether under a democracy or under a monarchy; everywhere poverty is squalid and

debasement. Everywhere riches are sordid and debasing. Everywhere the relations of capital and labor are similar, and there is a similar social disquietude over real or fancied grievances; everywhere there is the same gulf between luxury and penury; the same resentment towards the arrogance and pretensions of privilege and power.

### THE DEMOCRACY TO BE.

Nor can we intelligently hope that in some mysterious way Democracy will tend automatically to cure industrial evils or to solve industrial problems. Rather should we bear in mind that from the industrial point of view, Democracy has not yet been achieved.

Men are frequently under the domination of industrial conditions which inexorably override statutes, Constitutions and Bills of Rights. Unless the workman can negotiate on equal terms for his labor—the only commodity which he ever has to offer in the world's market—unless there is contractual equality, mere political equality may be and is a mockery and a delusion.

His political rights may even be surrendered, as a part of the consideration in the contract for labor. But, through sane social legislation, based upon principles of equity and equality, we may gradually advance towards real Democracy.

### COMPULSORY INSURANCE DEMOCRATIC.

My claim for Compulsory Insurance is that it is democratic because:

It will secure a greater degree of contractual equality between employer and employe than is now possible.

As to the form which compulsory insurance is to take, that must be determined by those more expert than I am in matters of legislation, but I care not what form it takes, unless it is compulsory upon all, employers and employes, it will be ineffective and undemocratic.

### THE AWAKENING.

The people are beginning to take an interest in this subject. A few years ago all suggestions were hushed by the sneering epithets "Socialism," "Sentimentalism," "Paternalism," and the hint that one was corrupted by German "Absolutism."

Of course, there never was any real weight in such empty and provincial phrases; and they merely indicated the fact that the American mind was empty of knowledge of a world movement.

They revealed an indifference to human suffering which did no credit to our civilization; and a contempt for social science, not honorable to our politicians, editors and lawyers.

European nations have solved this problem, at least to some extent, while America, proud of its inventiveness and initiative, lags in the rear and rails at the "Effete" Monarchies of the Old World and foretells all sorts of evils like those senile persons who praise the times that are dead.

The time has come for an awakening. Look at the enormous *cost of litigation*, a burden upon the resources of the nation, and a disgrace to the legal profession, as well as a source of corruption.

Studies of the causes of wasteful expenditure in courts reveal the slow and serpentine course of personal damage suits, which fill the dockets and blockade the roads of Justice.

Important commercial business must wait while, during long years, some mutilated workman, led by an ambulance chasing lawyer who is fed on hopes of immense contingent fees, fights his employer or a soulless Casualty Insurance Company through court after court, in the end to accept the pittance which the attorneys are willing to leave him from the award.

### JUSTICE, IDEAL AND REAL.

The ideal of Justice is prompt, certain, and unbought indemnity. The actual fact is that under our Employers' Liability Law the indemnity for injury in occupation is subject to all the uncertainties of gambling.

It comes, if ever, after long and painful waiting, and it is robbed of its value by the necessary costs of collection through the Courts.

There is no greater source of hatred for law and judicial process than this travesty and mockery of Justice.

The abuses of injunctions in cases of strikes and boycotts are comparatively rare, and easily remedied, but the wrongs legally perpetrated in damage suits are a matter of universal and daily experience.

As soon as a workman is injured, and claims his indemnity in courts, his employer may put him on a black list and persecute him

to death, and the very nature of the law produces this artificial and monstrous antagonism.

Lawlessness and class hatred are the legitimate progeny of a procedure which ought to be rejected by every great and civilized people, as it has been by Germany.

Why follow precedent of the past for a guide in a new and different economic world? What we need is insurance of income in all cases of accident, whether from negligence of employer, or from risk of the trade.

### THE POWER OF ASSOCIATION.

By a reflex movement, perhaps of discomfort rather than from scientific guidance, employers and employes are performing all sorts of experiments with Insurance.

Blind and faulty as those gropings are, they must be made the starting point for a scientific and complete system in the future, as acorns produce oaks.

The principle of association for mutual protection in the emergencies of existence manifests itself in the Clubs and local Benefit Societies which are formed everywhere in the country.

Fraternal Societies of National scope and local lodges, all federated in the common interest, have with slow and irregular march educated millions of people in the elementary principles of social insurance.

They have demonstrated the possibilities of economy of administration. The Mutualists of France have shown that not only sickness insurance and death benefits, but also Old Age Pensions can be provided by this method, with proper Governmental aid and supervision.

Some of the Trade Unions have added insurance features of various kinds, and have achieved a moderate success with unemployment benefits, but they have failed to insure the workmen who are on low and uncertain income.

*If a system of compulsory accident insurance were organized and applied and enforced, Trade Unions would still be free to provide sickness and invalid insurance, but they can never furnish adequate Accident Insurance.*

Society has no right to require them to carry a risk which is part of the real cost of production, and should be borne wholly as part of the expenditures of production.

### INSURANCE VERSUS SAVING.

One principle has been taught to millions of persons by all these schemes of Insurance—the principle of Insurance as opposed to Savings.

The minute a man joins an Insurance Society, he gains a claim on a Fund which he could not “save” in twenty years

Furthermore, men are discovering that co-operation with others opens a finer way of life than depositing premiums to an individual account.

There is scarcely a good manufacturing or transportation company which is not employing legal talent to recommend methods of insurance. To this cause they are driven all the more by the tendency of legislators to lay upon corporations creations of the state, burdens of liability which they do not think of imposing on private employers.

The consequence is that the directors of large enterprises are looking about for a method which will at once conciliate employes, and avoid the waste of litigation and damage suits.

### WE MUST MAKE INSURANCE COMPULSORY.

No voluntary system of insurance can be economically administered, save upon a foundation of compulsory insurance. The reason is obvious, and all the schemes in existence illustrate the law.

So long as accident insurance continues to be optional, many employers and employes will neglect organization, and they will hamper or even defeat those who are willing to organize.

Employers feel that they cannot afford to support accident insurance at their own cost, so long as they are liable to pay heavy damages to injured workmen, or fight them in the court; and the law always keeps them in a fighting mood.

So long as part of the employers refuse to carry these extra premiums, their competitors are economically compelled to follow their example.

### WHAT COMPULSORY INSURANCE WOULD DO.

A compulsory insurance law would at one stroke of the pen remove the burden created by the present liability for negligence and the appalling waste in Casualty Company fees and litigation.

At the same time the amount now wasted or misdirected would be available for an accident and sickness insurance fund of vast magnitude.

At present an enormous sum is spent for soliciting business, settling claims, etc. This is all waste; because under compulsory insurance, employers would seek the means of meeting their responsibilities.

### CONSTITUTIONALITY.

That which is economically necessary and otherwise socially imperative will ultimately be found constitutional. In all our history there has been no exception to this rule, although at every step into a brighter world, judges have solemnly denied the possibility, and lawyers have turned back to their case books with a smile of pity for the philanthropists or bitter sarcasm for the agitator, who ruffled the calm sea of their precedents.

### AMERICANISM.

We are told that compulsory insurance is un-American. That assertion is contrary to the most obvious facts in our history. We are a law abiding people, and love to make laws. Every statute and court ruling is compulsory. We are so used to compulsion in the common interest that we forget it, as we are unconscious of the atmosphere.

It is the vital element in which we enjoy freedom, security, order and opportunity.

By compulsory laws we build and maintain roads and bridges, and very often against the mean protest of the minority, who would be content to stick in the mud.

By compulsory laws we secure parks and pleasure grounds, and secure a revenue by diverting money from the liquor traffic.

Within my memory, in the Middle West, a large if not respectable minority railed at the Public School law as robbery, and insisted that any man had the right to bring up his offspring in brutish ignorance if he wished to do so.

We have compulsory taxation to relieve the poor, the insane, the idiotic, the indigent. This means that the conscience of a modern nation will not permit a human being, however inefficient or unworthy, to perish without an offer of at least a minimum supply of the necessities of life.

Where is the Americanism in sheltering criminals, prostitutes, ignorant ne'er-do-weels and degenerates, and denying shelter to honest workmen, except on terms revolting and debasing.

### SOCIETY.

The popular campaign against tuberculosis has revealed to the common mind the meaning of the "Police Power" of the State and the significance of public health administration.

No man can stick unto himself, especially in a crowded factory or tenement house. Those who are too ignorant, poor or negligent to keep well, are taken in hand by the Commissioner of Health. Those who suffer from infectious diseases are isolated in special hospitals, or warning bulletins are posted at the front door. It is notorious that people of small incomes go to physicians and dispensaries only in the last resort, from fear of expense their incomes cannot meet.

Society is discovering that neglect of disease or wounds involves the public and is dangerous.

### CLASS LEGISLATION.

In reply to those who declaim against compulsory insurance as class legislation I say emphatically it is not class but social legislation, because all members of society reap its advantages, just as rich men who send their children to private schools derive benefits from the public schools which educate the poorer neighbor.

Under compulsory insurance an injured workman places himself instantly under expert medical advice instead of legal advice, and is more surely and speedily restored to industrial efficiency, instead of penury, and so becomes again a producer of social wealth.

Compulsory Insurance is the best public health measure yet conceived of.

### THE PHYSICIAN.

Has any one investigated the cost and moral degradation caused by the non-payment of medical service? It is notorious that physicians annually contribute millions of dollars to patients who will not or cannot pay. Is not this a compulsory tax on physicians?

I feel certain that it is not cheerful philanthropy. Physicians cannot refuse the call of a wounded or sick person and cannot require advance payments, as landlords and grocers can. Public opinion and the ethics of their profession, require them to rise in the night, and through storms to help those who suffer; and this without hope of payment.

Gentlemen, I submit this is unscientific and barbarous; wholly unnecessary. Physicians should have a social guarantee of payment. A Compulsory Insurance law fund would be such a guarantee.

How can we secure prompt and economic application to the medical profession, without pauper relief. The answer comes from Germany: "By compulsory and universal sickness insurance." There is no other answer.

#### **MALINGERING.**

The fear is often expressed that if workmen are insured against accidents, they will claim benefits on slight pretexts in order to get a vacation. Experience proves the contrary. Men instinctively avoid pain and mutilation. Benefits never equal wages, and if there be such an evil, medical certificates would reduce it; but the evils of malingering are not to be weighed against the well-known miseries of the present situation.

#### **INSURANCE COMPANIES.**

Naturally, insurance companies would be unwilling to submit to changes in the field of accident and health insurance, by compulsory laws of the State, but to perpetuate the present system for their benefit, would not only be class legislation, but a social crime.

Compulsory State insurance is an imperative social necessity. And whatsoever stands in its way must be swept away.

#### **IN CONCLUSION.**

A compulsory school education was necessary for the intellectual education of the masses. Compulsory Insurance is necessary for the economic well-being of the masses. The fear that compulsory insurance would hinder the development of free activities



of association has been completely allayed by the astonishing experience of Germany.

Compulsory insurance is the inevitable result of measures already taken by leading employers. The greatest managers have already entered seriously upon a policy of insurance in some form, though ever so inadequate and crude; and every manager who assumes financial burdens in this direction finds his pecuniary interest threatened by those less intelligent, progressive, and humane.

What must be the effect? The only means of equalizing the burden is by legislation compelling all employers to bear the same load; and preventing the meanest and most narrow-minded from deriving an advantage over the best employers.

Therefore, every voluntary scheme which is introduced, brings some more powerful ally to the cause of compulsory insurance.

Soldiers who are injured in the service of their country claim and receive public support. Americans boast of their generosity to the veterans of the Civil War. The workers engaged in modern industries are as much social servants as soldiers fighting for their country. How humiliating then it is to a self-respecting citizenship that the families of those who are injured or killed in public or social service, should bear the whole burden of their support, or that the unfortunate soldier of industry should suffer from inadequate support. In no state of the Union is there at present an insurance law which does justice to injured workers and their families. We Americans are among the greatest sinners in this matter. With our great wealth, we do the least. Shame alone must soon urge us to action in this matter. (Applause.)

MR. JONES (of New York): Mr. Chairman and Gentlemen—I have been very much interested in what Mr. Martin said, and I would like to ask Mr. Martin, who evidently has given this question considerable thought, whether, carried to its limits, compulsory insurance would not solve the question of labor unionism? It struck me so as I listened to him. It seems to me that all that holds labor unions together is the benefit they offer in time of non-employment, sickness or death, from the amount contributed weekly by the workmen. If that amount were provided by the state, if compulsory insurance became a fixed thing, would not, I ask Mr. Martin, as an ultimate result, the labor organizations fall?

MR. MARTIN: I think they would. I agree with you there. I think the time has come for insurance, after the actions of the McNamaras. I think it is proven that the working men in our land have never really been heard from. They have been under the power of the chairmen of their organizations, or whatever officer it was, and if they showed any independence or showed any desire to debate, or discuss things, they have been crushed and their families and themselves have been made slaves. That has all been proven by the confessions of McNamara, and I think the time has come for compulsory insurance; and I also think it is going to be a vast benefit to the world. The German Ambassador to England and myself discussed the subject for two hours and he said to me: "Fred Martin, it has solved the problem of poverty in the land." He said: "The way our men were leaving our land has stopped; since it has been put in practice in our land it has practically stopped it all. Very few of them are going comparatively. It raises the laborer to a position of self respect; it makes him feel that in some way he is a co-partner with his employer; and when a man is worried about some accident befalling him, or falling ill and being unable to pay the doctor, he cannot do his work as well as a strong man without those worries, and he works with an interest, and as though he were in co-partnership with his employer."

Last May when Lloyd George sprang this question upon England I became very much interested, and have been studying it ever since. I have the feeling that it is going to allay the unrest.

MR. BRUCE (of Wisconsin): Mr. Chairman, I would like to ask Mr. Martin a question, but before doing so I want to say this: I spent considerable time in Germany and England last year studying this question for the purpose of aiding in the formulation of considerable legislation in the State of Wisconsin. I agree to the humanitarian, the ethical arguments that Mr. Martin advances, and I want to say that I believe the average American manufacturer is as humane and as just as are the manufacturers of the Old Country, but I would like to have Mr. Martin tell us how we can make a law that is compulsory?

He has pointed to Germany several times. Germany has today the best workmen's compensation act in the world. I would like to have him tell me how we can make a law of that kind constitutional in any one of the American states. In New York state the law has

been declared unconstitutional. In Wisconsin, within the last two weeks, the law has been declared constitutional, but because the law is optional and not compulsory. I would like to know how he can make any one of these beneficent industrial insurance laws, or workmen's compensation laws stick and be constitutional in any one of the American states.

MR. MARTIN: That will have to be worked out. This is only the synopsis. I am writing on the subject. Some of the magazines in New York have asked me to write on it.

MR. FALK (of Wisconsin): Mr. Chairman, I should like to ask Mr. Martin and Mr. Bruce who have referred to the German system, whether they have seen the literal treatise by Herr von Freudenberg (I think he is the president of the German Imperial Insurance Office, and has been for many years), who goes into this subject very thoroughly and very exhaustively, and I think everyone who has read it will agree with me that it is a great work.

MR. BRUCE: I have learned of that pamphlet and of its contents. While in Germany I made it a point to interview the manufacturers, the employers, the employes, and some of the political factors. I spent considerable time with the socialist leader of the German Reichstag, who is opposed, and has been; his party has been opposed because it would bring about a better feeling between employer and employes.

The argument Mr. Martin makes is correct, as far as my humble judgment goes, but there are weaknesses all along the line. I spent some time with the people in the larger cities, and went out in the villages, and every village in Germany has some industries, and the law, being compulsory, reaches every wage worker, except certain superintendents and officials in manufacturing concerns.

Now, that the German law is protected, is demonstrated by this fact: The Reichstag, in 1881, with the German Professor, devised this law. Last year when I was in Germany there were amendments submitted to the Reichstag that filled a large volume; so that I think you may say any of these systems may be found fault with. I do not agree with the charge that the German industrial law is a failure. I do hold, as others there hold, that it is defective in many respects; but a few years ago, at a big labor conference in Rome, it was openly agreed by the economists throughout Europe, who were

represented at this great Congress, that Germany had a most efficient industrial insurance law, in fact the most efficient in the world. And why is it efficient? Because it is absolutely compulsory; there is no way of getting away from it.

But I say, gentlemen, the best law that was ever devised on this subject cannot, as far as experience goes in this country, be made compulsory, and I would like to see the legal genius come here and tell us how such a law can be made compulsory.

MR. SECHLER (of Moline, Illinois): Mr. Chairman, while in the last five years there has been an influx of Italian and Greek laborers in our town, simply coming to this country to accumulate a small amount of money and go back and live in their own countries, the body of men who have been working steadily, 85 per cent of the working men of Moline, own their own homes. The savings deposits in our savings banks amount to \$7,000,000, which represents practically the savings of 4,000 working men, or an equivalent of about \$1,750 per man. In the larger establishments the men have their mutual aid organizations, providing for sick benefits and burial expenses, and in the older concerns they have a pension which has gone into effect the last year, that after a certain term of years in service a man is retired on, I think, two-thirds of the pay which he had been receiving during his working time. That is one town. I have no doubt there are other places that can duplicate it.

Moline may be an exception. This I will say to Mr. Kirby; Moline is an open shop from end to end. There are no drains on the men's wages for the support of Mr. Gompers and his auxiliaries. But I believe if that same condition extended through the country, as we have it there, it would obviate the necessity of fraternal insurance on the part of the federal or state government. As I stated the amount of savings represented by our workmen there, probably they average more than any amount of insurance that could be given by the state.

MR. BRIGGS (of Minnesota): A question that has interested me very keenly is this: As I understand it, Germany has had this insurance law, or workmen's compensation act for something like twenty years; England for some time. As a result did that solve the question of unionism in those countries? I understood you to

say you thought it would in those countries. Would it in this country?

MR. MARTIN: I do not understand it is in operation in England.

MR. BRIGGS: Yes.

MR. MARTIN: Just being put in operation?

MR. BRIGGS: It has been there for years.

MR. BRUCE: England adopted its workmen's compensation act a little over two years ago; they had had about one year's experience when I was there. The effect of the law was this: That it increased the insurance rate materially and also increased the litigation and did not cement between employer and employe.

MR. BRIGGS: Thank you.

A DELEGATE: I move the convention adjourn for luncheon.

THE CHAIRMAN: Gentlemen, before we adjourn, I wish to announce that there will be a free discussion on the business subjects directly after the address by Mr. Pavey. I beg that you will all meet promptly at half past two.

The meeting adjourned until 2:30 o'clock P. M.

## FOURTH SESSION.

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TUESDAY, DECEMBER 12, 1911.2:30 o'clock P. M.

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The Congress was called to order by President Sheldon.

MR. BOOTHE: Mr. Chairman, up until a few moments ago I was living under a considerable misapprehension. I speak now because there may be others here laboring under the same misapprehension. I was under the idea that this convention was a convention of the National Business League of America, and I spoke under that misapprehension. As perhaps most of you know, and all men ought to know, this is a convention held in Chicago through the courtesy of the National Business League of America as our entertainers, but is a convention of the business men of this country, the National Business Congress, and if there are any now laboring under the misapprehension that it is simply a convention of the National Business League of America, it ought to be corrected.

THE CHAIRMAN: I think it is pretty thoroughly understood that this is not the convention of the Business League. It is a National Business Congress under the auspices of the National Business League, which is one of the delegates and has its delegates on the floor, the same as any other organization.

We have one or two resolutions here that have been sent in that I should like to have read and then referred to the Resolutions Committee, which is going into session very soon. After that we will proceed with the regular business.

The following communication was read:

GEORGE W. SHELDON, ESQ.,

President of the National Business League.

I submit the enclosed on waterways which I would appreciate being read to the Congress if an opportune time presents itself. This is the briefest manner in which I could bring it up, and having become deaf will not trust my voice to enter it verbally.

Respectfully yours,

G. BOGGS,  
Delegate for Baltimore.

To the President and Members of the National Business Congress.

Gentlemen:

In the Official Program of the National Business Congress the delegates are invited to make terse suggestions on the subjects that might be of interest to this important meeting. Taking advantage of this, and in view of the many questions of national importance which have the attention of Congress, I will call your attention to that very vital one, the development of the waterways of the United States. Every man who has taken an interest in this subject knows that our methods heretofore have been haphazard, inefficient even to the point of the ridiculous. It has gone further in this line and river and harbor appropriations have earned the term "pork barrel." The National Rivers and Harbors Congress, which was organized in Baltimore in 1901, has been striving to bring about a scientific plan and policy for the efficient and sensible improvement of our internal waterways. It has adopted a policy, not a project, for this purpose. Waterways Associations have been organized in the several sections of the country and are earnestly at work on their enterprises, and are uniting with the now great Rivers and Harbors Congress in the national movement for developing waterways along the plan like that in vogue in the great European countries. The European countries in this, that they have eliminated all local interests in order to make the matter a uniform and national one. Among those bodies are the Lakes-to-the-Gulf Deep Waterway Association and the Atlantic Inland Waterway Association. The purpose of the former is to open adequate navigation between the Great Lakes and the Gulf of Mexico; that of the latter is to provide deeper waterways from Cape Cod to the Gulf of Mexico, avoiding the ocean graveyards along the New England coast and Cape Hatteras. This will not only subserve common interests, but the national defense. We, therefore, recommend and urge that this Congress put itself on record on the development of the waterways of the United States along the most efficient lines.

Respectfully submitted,

G. BOGGS,

Delegate Representing the Merchants and Manufacturers'  
Association of Baltimore, Md.

THE CHAIRMAN: Gentlemen, what is your pleasure with this resolution? If there is no objection, we will refer it at once to the Resolutions Committee and let them make their report on it. We will so refer it.

The following communication was read:

BALTIMORE, MD., December 11.

GEORGE W. SHELDON,

Chairman National Business Congress.

Dear Sir:

As a delegate of the Merchants and Manufacturers' Association of Baltimore, I regret to inform you that an unlooked for emergency has arisen which will prevent me from attending the National Business Congress to be held on December 11th, 12th and 13th, at the Congress Hotel, Chicago.

Much has been said and written regarding the conservation of forests, coal and public lands, but I have heard no one defending and extending a protecting hand over the business interests of the land from which 95,000,000 people must largely derive food, clothing and shelter. On the other hand, legislation is enacted and being enacted by Congress and by nearly every State Legislature which is not only against public service corporations, but against every other corporation and business interest of any importance. May I trust that this view of the situation will be discussed?

Regretting I cannot be with you, I beg to remain,

With great respect,

JOHN R. BLANK.

THE CHAIRMAN: Gentlemen, if there is no objection we will refer this to the Resolutions Committee, with the other resolution.

I now have the pleasure of introducing the Honorable Frank D. Pavey, of New York, who will address us on "AMENDMENT OF THE SHERMAN ANTI-TRUST LAW, TO PROTECT LEGITIMATE COMBINATIONS OF LABOR AND CAPITAL." (Applause.)

MR. FRANK D. PAVEY: Mr. Chairman and Gentlemen—When I was invited to make an address before this Congress I telegraphed to your Secretary and asked if I could have leave to print, and I have printed, the views which I then entertained in New York. Now, since I have been in Chicago my view has somewhat changed.



In the first place, there has been a personal change in my point of view. I left New York under the impression that business in this country was under serious depression, and, as a result of a two days' stay here, having dined and lunched yesterday with Mr. Sheldon, I have come to the conclusion that business in Chicago lives in a bower of roses and sails on a sea of champagne. (Laughter.) Personally, I am entirely relieved of that dyspeptic idea that business is under any depression out here. But in a much more serious way my point of view has changed, and it is perhaps not entirely changed, but modified, and it has been modified by the broad expressions of view that I have heard here from Mr. Revell and Mr. Wallis and Mr. Kirby upon the same general subject upon which I am speaking. I do not include in that remark addresses delivered by Mr. Martin and Dr. MacClintock and Mr. Rosenthal, because those were upon subjects a little more remote from the one upon which I am going to speak.

Now, I was brought up as a good Presbyterian, and I was always very much impressed with the fact that an orthodox Presbyterian minister, before giving utterance to his own ideas always read what he called the text from which he was going to preach, and following the custom of this old Presbyterian minister, under whom I received my early religious training, I wrote out what I would call the text of my remarks, and, while reading is always more or less tedious, I am going to read those two printed pages in order that I may bring before the gentlemen here the text of my remarks, and then I can fit my remarks into them as I go along.

I start with the proposition that no court or executive department or industrial commission can enforce a wrong law so as to produce right results.

The question whether the determination of particular cases shall be made by the courts or by an executive department or by an industrial commission is a matter of convenience and efficiency in the enforcement of the law and not a matter of principle. The decision of all such questions must be made by *men*. The selection of the set of men is a matter of policy. Their application of the law to particular cases will in any event be full of errors of human judgment and opinion.

*As long as the law is wrong in principle their decisions cannot be just and at the same time in accordance with the law and facts.*

All will agree that the law ought to recognize and protect all legitimate combinations of labor and capital. An agreement as to what combinations of labor and capital are legitimate is difficult. Every man's opinions will be influenced by his training and environment even when they are not controlled by his immediate business interests.

The conclusions of the writer are that the Sherman Anti-Trust Law ought to be amended so as to provide in substance:

(a) All organizations, associations, combinations and agreements the purpose and effect of which are to increase the wages and improve the conditions of employment of labor are lawful unless they violate rights of life, liberty or property.

(b) All organizations, associations, combinations and agreements the purpose and effect of which are to regulate competition, improve the conditions of business and increase the profits of capital are lawful unless they violate rights of life, liberty or property or injure trade or commerce.

(c) Congress shall from time to time define and prohibit specific acts and things which are deemed to injure trade or commerce.

(d) Violations of the law shall be punished by penalties imposed upon the individuals responsible for the violations and not by injury to business or destruction of investments or confiscation of property.

The test proposed for labor organizations is that they shall not violate rights of life, liberty or property. These rights have been the subject of so much adjudication both in the Federal and the State courts that no statutory definitions of them are necessary.

Another test is added for organizations of capital, viz., that they shall not injure trade or commerce. By reason of the fact that there is no Federal common law or uniform common law of the States, statutory definitions of injuries to interstate trade and commerce as well as statutory remedies are necessary.

The facts and reasons which lead to these conclusions are set forth in the annexed argument.

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*ARGUMENT.*

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**THE SHERMAN ANTI-TRUST LAW.**

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The Sherman Anti-Trust Law does five things:

1. It declares that all contracts or combinations in restraint of interstate trade or commerce are illegal and that all persons who monopolize or attempt to monopolize any part of interstate trade or commerce are criminals.

2. It makes all violations of the law misdemeanors, punishable by fine and imprisonment.

3. It confers upon the United States courts jurisdiction to punish violations of the law and imposes upon the United States district attorneys the duty of enforcing the law.

4. It provides for the forfeiture to the United States of any property owned under any such contract or by any such combination.

5. It confers upon persons who are injured in their business or property by reason of violations of the law the right to recover damages for the injury.

All criticism of the Sherman Anti-Trust Law must refer to the sections which declare that all contracts in restraint of interstate trade or commerce are illegal and that all persons who monopolize or attempt to monopolize any part of interstate trade or commerce are criminals.

Plainly there can be no objection to making the violation of any law a misdemeanor, punishable by fine and imprisonment; or to conferring upon courts jurisdiction to punish violations of any law; or to imposing upon the district attorneys the duty of enforcing any law; or to giving persons injured by any illegal act the right to recover damages.

The forfeiture to the United States of any property owned under any such contract or by any such combination would be so ineffectual as a remedy for any of the evils intended to be cured by the law that almost no effort has been made to enforce the provisions of that section.

**A MENACE TO PROSPERITY.**

A list recently compiled from Moody's Manual shows that not less than 1,198 corporations with 8,110 subsidiaries representing a

total capitalization of \$10,612,372,489 are "holding companies" within the prohibition of the law. Many holding companies are not reported in Moody's Manual. There is a legion of bondholders, stockholders and laborers the stability of whose investments or employment will be endangered by the general attempt to enforce the act.

Practically all trade organizations and associations for the improvement of business conditions which do anything more than have an annual clambake exist in violation of the law. All labor organizations incur its penalties whenever they strike or attempt by concert of action to increase their wages or improve their condition.

The law as it stands is unjust and injurious to public interests and its general enforcement is a menace to present prosperity and may be a permanent injury to the trade and commerce of the country.

The answer may be made that the Supreme Court in the recent decisions in the Standard Oil and American Tobacco cases has laid down a safe rule for the guidance of business. This idea has been advanced by President Taft, who is reported to have said in a speech at Aberdeen, S. D.:

I have challenged, and I challenge again, any person to cite a case that he would condemn as a violation of the Anti-Trust Law that would not be condemned under the decision of the Supreme Court. As yet I have heard no reply.

The correct reply is that no person can cite a case *that would not be condemned* as a violation of the Sherman Anti-Trust Law under the decision of the Supreme Court because the *Supreme Court has not defined any case that would not be condemned*.

It has decided that certain cases which have already come before it are violations of the law and that cases which come before it in future will be "determined by the light of reason, guided by the principles of law and the duty to apply and enforce the public policy embodied in the statute."

With this lucid rule as a guide the business of the country is left to guess what will be the decision of the Supreme Court in selected cases brought before it in future at the will of the President and Attorney General.

### THE FETICH OF COMPETITION.

Much confusion in the reasoning and decision of cases has grown out of the failure of the courts to distinguish between restraints of trade and restraints of competition. The Sherman Anti-Trust Law prohibits restraints of trade and does not prohibit restraints of competition. In the application of the law the courts have treated all contracts or combinations in restraint of competition as contracts or combinations in restraint of trade. This fallacious application of the law has its foundation in the ancient and honorable maxim of economics that "competition is the life of trade." The courts have generally accepted this maxim as the basis of their reasoning in the decision of cases arising under laws in regard to restraint of trade. Their reasoning has been that inasmuch as competition is the life of trade anything which restrains competition must necessarily restrain trade.

This economic doctrine may have been true when applied to the industrial conditions existing in the time of Adam Smith. But when applied to the conditions of modern industry unrestrained competition may be the death of trade. It does not require much business experience to know that contracts or combinations in reasonable restraint of reckless competition may promote trade, improve business conditions and increase the profits of capital and wages of labor without injury to any public interest.

The primary purpose of every trades union, federation of labor or brotherhood of workmen is to restrain competition by securing for all their members uniform wages for the same work and uniform hours of labor for all. No member is to be allowed to compete against another either for more pay per hour or for more hours per day. Every law fixing the number of hours that shall constitute a day's labor is an enactment in restraint of competition. Every law prescribing terms and conditions upon which persons may engage in various occupations is a restraint upon competition. The number of legalized restraints upon competition is so great that an enumeration and description of them would fill a volume.

Notwithstanding these facts the confidence of public officials in the inherent virtue of competition as a sure cure for all industrial and commercial evils is undiminished. While the Attorney General is talking in favor of the restoration of competition the Department of Justice of which he is the head has been drawing a decree in the United States District Court for the Northern Dis-

trict of Ohio in the case of the General Electric Company and about thirty-five subsidiary and affiliated companies which contains the following remarkable clause:

EIGHTH: That the General Electric Company and the other defendants are each enjoined and restrained from offering or making more favorable prices or terms of sale for incandescent electric lamps to the customers of any rival manufacturer or manufacturers than it at the same time offers or makes to its established trade, where the purpose is to drive out of business such rival manufacturer or manufacturers, or otherwise unlawfully to restrain the trade and commerce of the United States in incandescent electric lamps; provided that no defendant is enjoined or restrained from making any prices for incandescent electric lamps to meet, or to compete with, prices made by any other defendant, or by any rival manufacturer; and provided further that nothing in this decree shall be taken in any respect to enjoin or restrain fair, free and open competition.

This portion of the decree is either a joke or an injustice. The companies in the combination were enjoined from entering into any combination or agreement fixing prices for incandescent electric lamps. What need of any agreement fixing prices when the court at the request of the government enjoins companies practically controlling the entire trade of the country from cutting prices. It is not surprising that the companies in the combination all consented to the making of this decree.

If there were no independent companies the decree was a joke on the American people by the Attorney General with the consent of the companies and the approval of the court. If there were independent companies the decree was an injustice because the independent companies were not parties to the suit and were not enjoined from seeking to injure the business and secure the trade of the companies in the combination by cutting prices.

Whether joke or injustice, it was doubtless perpetrated unwittingly. The man who drew the decree was dimly conscious of the fact that the object truly desirable to be attained was not the maintenance of competition, *but the maintenance of stability in trade*. He therefore enjoined the companies from using the only effective method of competition, but added a disclaimer of any intention of backsliding from the orthodox faith in competition.

### THE TRUE RULE OF COMPETITION.

The fundamental principle of competition is the law of the survival of the fittest. Competition means success for the strong and failure for the weak. The authors of the platform of the Socialist party adopted at Chicago on May 13, 1908, scorned all popular pretenses on the subject. Without equivocation or circumlocution they wrote this elementary commentary on the futility of all legislative efforts to uphold the divine right of competition to be the ruler of industrial life:

Individual competition leads inevitably to combinations and trusts. No amount of Government regulation, or of publicity or of restrictive legislation will arrest the natural course of modern industrial development.

If the American people can be led to abandon the worship of competition as the idol of industrial life and accept the doctrines of co-operation and union which have brought them so much benefit in their political life they will derive even greater benefits from those forces in their industrial life.

The Sherman Anti-Trust Law is equally unsound in its prohibition of any and all attempts to monopolize "*any part of the trade or commerce among the several states or with foreign nations.*"

Every man who is in business is continually attempting to monopolize some part of the trade or commerce among the several states or with foreign nations. Every man is trying to monopolize his own business and to acquire that of his competitors. If this section of the law has any meaning in an economic sense it prohibits competition in all forms. The evils which are intended to be condemned by this section against monopoly only arise when the monopoly has been established.

Sound economic doctrines in reference to the permanence of the industrial development known as the "trusts" were never better stated than by that distinguished advocate of Socialism Eugene V. Debs in an article on the "Problem of the Trusts," published in the New York Times, on Saturday, November 25, 1911:

No student of economics and no intelligent observer of events believes the trust can be forced back into its constituent and competing elements to satisfy the cry of a defeated and doomed middle class. Only the academic charlatan and polit-

ical demagogue, seeking to promote their own selfish ends, yield to the clamor of the small interests that the trust be "smashed" and that we return to "the good old days of competition."

This is but a repetition of the cry of the weavers and spinners of England against the introduction of the machinery which threatened to displace them. It is the protest of the stage coach against the locomotive and of the pony express against the railroad and telegraph.

What is a trust? Not a combination of capitalists, as so many seem to imagine, for the capitalists are only incidental to the trust, as the owner of a mill is incidental to the mill. If all the capitalists who own the trusts were to disappear from the face of the earth, the trusts in all their inherent power and potentiality would still be here.

The railroads, for illustration, and not the individuals who happen to own them, constitute the railroad trust. The steel mills and their accessories and equipments of machinery for the production of steel, and not the stockholders, constitute all that is vital and essential to the Steel Trust.

### CAPITALISM AND SOCIALISM.

From these sound economic doctrines Mr. Debs draws the conclusion that we are limited to a "choice between industrial despotism and industrial democracy, that is to say, between Capitalism and Socialism." He does not define the organization of industry under Socialism, but declares that it has "the one object in view of abolishing the prevailing system of privately owned industry and establishing in its place the industrial democracy in which all the people shall be free to produce what they need to satisfy their needs and wants, and free to enjoy all the blessings of a real civilization."

The fundamental difficulty in the way of the establishment of any such Utopian society is not that of "abolishing the prevailing system of privately owned industry," but of *abolishing the prevailing system of privately owned results of industry—i. e., private property.*

The laborer who consistently invests for a period of years a portion of his surplus earnings in household furniture and savings banks will find himself and his family in a surer way "to enjoy all the blessings of a real civilization" than the laborer who invests the same portion of his surplus earnings for the same period of time in whiskey and tobacco. Until Socialism can produce equal-



ity of condition between these two men it cannot establish any such industrial democracy as it advocates.

Private ownership of property is not a product of civilization. It existed in the most positive form among the redmen of America who cannot be said to have enjoyed many of the blessings of a real civilization. "There was no authority in an Indian community powerful enough to deprive the meanest warrior of his property, even in circumstances of the greatest public exigency" (Parkman—"The Conspiracy of Pontiac.")

Until this instinct of ownership of the results of industry and frugality in peace and courage and energy in war can be eradicated from the breast of savage and civilized man there can be no industrial democracy such as the Socialists dream of.

In the meantime society must do what it can to secure for all men an equal opportunity to gain the private ownership of a fair share of the results of combined industry under a system which recognizes the fact so well stated by Mr. Debs "*that the trust is simply the twentieth century tool of production, distribution and exchange.*"

#### DEFINITE RULES OF LAW NECESSARY.

Definite standards of what combinations of labor and capital may lawfully do under the existing system of privately owned industry must be established. Men should be free to compete and struggle or combine and co-operate so long as they do not transgress necessary and proper rules for the protection of others from undue injury. The first step essential to progress is to lay the foundations of the law in sound economic principles.

There has been much discussion as to "good trusts" and "bad trusts" and the effort has been made to distinguish between "reasonable" and "unreasonable" restraints of trade. All this discussion shows that the language of the present statute does not correctly describe the thing which ought to be condemned. The evil which is sought to be prohibited is not a *restraint* of trade or commerce or an *attempt to monopolize* some part of trade, but an *injury* to trade or commerce.

If the law prohibited all organizations, associations, combinations or agreements which violate rights of life, liberty or property or injure trade or commerce it would correctly define the causes of the evils which it seeks to obviate. The principle of the law would be sound and its practical application to particular cases

would be less difficult than at present. Under our Federal system the national law applicable to interstate trade and commerce can be made right in principle only by act of Congress.

#### **NO NATIONAL COMMON LAW IN THE UNITED STATES.**

There is no common law which constitutes any part of our National or Federal jurisprudence as distinguished from the jurisprudence of the several states composing the Union. All Federal law is founded upon and derives its authority from the constitution or laws of the United States. The common law can be incorporated into the Federal system of jurisprudence only by Congressional enactment.

The Federal courts cannot resort to the common law as a source of criminal jurisdiction; the crimes and offenses which are cognizable by these courts are such only as are expressly or by necessary implication designated by law and Congress must define these crimes, prescribe their punishment and confer the necessary jurisdiction to try them.

Even in the jurisprudence of the several States the common law of England cannot be taken in all respects to be that of America. The English colonists brought with them from their mother country its general principles and claimed it as their birthright, but they brought with them and adopted only that portion which was applicable to their needs and suitable to their situation and circumstances. Louisiana and Texas were not English colonies and the French and Spanish codes were the foundation of their common law jurisprudence. Judicial decisions and the usages and customs of the respective States determine in general how far the common law of England has been introduced and sanctioned. The common law of one State is not necessarily that of another. Each State has adopted such parts as are desirable and suitable to its needs.

In the absence of any National common law or any uniform common law of the States an act of Congress is necessary, if the Federal Government wishes to exercise any supervision or control over combinations of labor or capital in reference to trade and commerce between the States and Territories and the District of Columbia and with foreign nations. The rule in reference to combinations of labor should not be the same as the rule in reference to combinations of capital.

## RULE FOR COMBINATIONS OF LABOR.

The Sherman Anti-Trust Law has been held to be applicable to labor combinations and has been invoked against them on several occasions. There is grave doubt as to whether the authors of the law had any such intention. There have been repeated instances of violations of the law by labor organizations when it was not invoked against them. One of the recent instances was the strike of the employes of the express companies in New York and New Jersey in October and November, 1910. For a period of more than a month it was almost impossible for any interstate trade or commerce in express packages to be done across the Hudson River between the States of New York and New Jersey. The restraint extended to all interstate trade and commerce in express packages between the States south of New Jersey and east of New York. The leaders of the labor organizations engaged in the strike made no concealment of their identity or active participation in the restraint of interstate trade and commerce. The violation of the law was open and notorious. Under the Sherman Anti-Trust Law it was the duty of the United States district attorneys in the Southern District of New York and the District of New Jersey, under the direction of the Attorney General, to institute proceedings in equity to prevent and restrain the violation.

No action was taken and no action probably ever will be taken by any Attorney General or district attorney in any similar case until the strikers arrive at the point where they violate rights of life, liberty or property. The invocation of the Sherman Anti-Trust Law against a labor organization which is merely engaged in a peaceful and orderly strike in restraint of interstate trade and commerce is contrary to all modern ideas of the rights of men.

The correctness of the rule which will make the acts of labor combinations illegal only when they violate rights of life, liberty or property will be seen from an examination of the legal meaning of those terms and a review of the purposes of labor organizations and the rights to which their members are entitled by law.

The words "life, liberty and property" occur twice in the Constitution of the United States. The Fifth Amendment to the Constitution provides that no person shall "be deprived of life, liberty or property without due process of law." Under the strict construction of our Federal constitution this amendment was interpreted to mean that no person should be deprived of life, liberty

or property by the Federal Government without due process of law. This interpretation of the Fifth Amendment led to the adoption after the close of the Civil war of a clause in the Fourteenth Amendment which provides that no State shall "deprive any person of life, liberty or property without due process of law."

The Constitutions of many States provide that no person shall be deprived of life, liberty or property without due process of law and enumerate among the inalienable rights of citizens the right of enjoying and defending life and liberty.

The presence of these words in the Constitution of the United States and various States has led to many judicial decisions as to their meaning. One of the best statements of the comprehensive scope of their meaning was given by the Supreme Court of Missouri:

These terms, "life, liberty and property" are representative terms, and cover every right to which a member of the body politic is entitled under the law. Within their comprehensive scope are embraced the right of self defense, freedom of speech, religious and political freedom, exemption from arbitrary arrests, the right to buy and sell as others may—all our liberties, personal, civil and political—in short, all that makes life worth living; and of none of these liberties can any one be deprived except by due process of law.

The broad meaning which has been given by the courts to the rights designated as "life, liberty and property" makes the infringement of those rights a sufficient limitation on the activity of combinations of labor in their efforts to increase wages or to improve the conditions of employment.

The ultimate purpose of all labor unions is to increase the wages or improve the conditions of employment of their members. The immediate object may be to secure the recognition of the organization, the discharge of non-union laborers or the reinstatement of discharged union laborers because success in these ends may strengthen the union and improve its chance of accomplishing its ultimate purpose.

Such an object was once considered to be opposed to public policy. Labor combinations were held to be illegal and their members were liable to indictment for criminal conspiracy. These decisions were based on the economic ideas which shaped and guided the economic policy of former days. The public interest was sup-

posed to require that trade should be protected from any and all restraint. Any combination by which the price of anything was arbitrarily increased, whether a combination of masters by limiting production or of workmen by compelling an increase of wages, was held to be unlawful.

These laws for the protection of trade have in recent years been materially modified by the admission of exceptions. The most notable exception is that in favor of labor combinations. This has been done in England and in Canada by the passage of express statutes. (Criminal Law Amendment Act—34 and 35 Victoria, Ch. 32; Conspiracy and Protection of Property Act—38 and 39 Victoria, Ch. 86; Canada Trades Union Act—35 Victoria, Ch. 30.) In the United States the exception of labor combinations from the old rule of the common law has been largely due to the action of the courts themselves.

So far as labor unions are concerned the Sherman Anti-Trust Law practically inserted in the Federal jurisprudence of the United States the common law of England as it existed prior to 1871. It is a distinct step backward in the recognition of the rights of men.

Strikes and boycotts are the familiar means which laborers use to win success in disputes with their employers. It is now well settled in England and in the United States that a laborer may decline to work for any one or with any one. The right of the laborer to withhold his labor is absolute and not qualified by the effect of the exercise of this right upon others. A striker may by persuasion cause employes to leave the service of their employer or to dissuade other workmen from seeking employment with him. They may lawfully refuse to trade with any person absolutely or contingently. The members of a union may lawfully refuse to have any dealings with the employer or with any person who deals with him.

If one laborer enjoys this right he ought not to lose it when acting with others. The fact that they simultaneously avail themselves of their right ought not to render the act or agreement unlawful *unless the manner of its exercise makes it so*.

The general recognition of the lawfulness of these means is obscured by the fact that they are so often accompanied by unlawful acts. The strikers cross the lawful line and resort to violence, intimidation, physical injury to tangible property and actual injury to that most valuable form of intangible property—the good will

of business. If a concession is wrung from an unwilling employer by words or actions which produce in his mind a reasonable fear of injury from violence to his person or property; if the members of a labor union congregate at or near the works of an employer with the purpose and effect of intimidating the employees of the establishment; if by their acts they create a nuisance which annoys and disturbs an employer or his workmen or customers in the enjoyment of their several rights, their action is unlawful and those who by concert of action perform these acts are guilty of a criminal conspiracy.

Lockouts and blacklists are the counterparts of strikes or boycotts. Except so far as they violate rights of life, liberty or property they are lawful. The general principle which ought to apply to all such cases of controversies between employers and employees is that no acts or combinations in furtherance of such controversies which violate rights of life, liberty or property are lawful to either capital or labor.

All that is needed in Federal legislation so far as combinations of labor in matters of interstate trade and commerce are concerned is the enactment of proper remedies for the enforcement and protection of these rights. The remedies must be practical and available for use by any person whose interests are endangered. They should include:

1. Suits at law for damages in favor of any person damaged.
2. Suits in equity for injunctions in favor of any person threatened with injury.
3. Civil proceedings for injunctions by the Government to protect public interests.
4. Criminal prosecutions by the Government to punish guilty parties.

Suits for injunctions and for damages impose on private parties the duty and burden of defending their private interests and redressing their injuries. These two remedies at the instance of private parties will in most cases accomplish all that is needed. Any general public inconvenience can be endured up to a point where the Federal Government will take the initiative to enjoin a continuance of the public injury or to punish the offenders by criminal prosecution.

Under modern conditions of industry this limitation is not sufficient in reference to combinations of capital. It is for this reason that an injury to trade or commerce has been made an additional test of the legality of a combination of capital.

#### RULE FOR COMBINATIONS OF CAPITAL.

The entire judicial and economical history of England has been a continuous struggle to suppress monopolies, prevent restraints of trade and maintain competition. The language of this heritage of struggle is so firmly imbedded in the minds of all men that we continue to use the same phrases after we have ceased to deal with the same subjects. These phrases are "monopoly," "restraint of trade," "suppression of competition" and "contrary to public policy."

Monopoly in a strict sense is an exclusive right or privilege granted by the state. The principal modern monopolies of this class are patents, copyrights and the right of eminent domain. In a modern sense monopoly has come to mean the sole control of the supply and sale of any article, no matter how acquired. Under modern conditions of industry and modern means of transportation and transmission of information no such monopoly is possible without the protection of the Government in a form of a concession, patent, copyright or tariff.

Restraint of trade and suppression of competition have become practically synonymous terms. The maintenance of competition has been the battle cry of all persons seeking to secure a more equal distribution of the results of labor among the people who contribute to the production of wealth.

No modern discussion of anti-trust legislation proceeds very far until we find that we are not praising the merits of competition, but are denouncing its demerits; not formulating plans to prevent restraints of trade, but proposing restrictions on trade; not seeking to suppress monopolies, but to create and control them.

The cheers and hisses are equal in volume. Denunciations of "monopoly" and "restraint of trade" are drowned at intervals by the clamorous voices of the victims of "unfair" and "reckless" and "ruinous" competition. These victims of competition have as great need for protection against the crimes of competition as the victims of restraint of trade have against the crimes of monopoly. They seek the protection of a Federal Anti-Trust Law which shall clearly

define what acts and things are injurious to trade or commerce under modern conditions of industry.

This protection is not afforded by the Sherman Anti-Trust Law. To what extent it was afforded by the common law of England is a question as to which opinions may differ.

In its decision in the Standard Oil case the Supreme Court reviewed the history of the common law and statutes of England in reference to monopolies and restraints of trade and stated its conclusions in the following language :

From the review just made it clearly results that outside of the restrictions resulting from the want of power in an individual to voluntarily and unreasonably restrain his right to carry on his trade or business and *outside of the want of right to restrain the free course of trade by contracts or acts which implied a wrongful purpose*, freedom to contract and to abstain from contracting and to exercise every reasonable right incident thereto became the rule in the English law.

In the decision of many cases originating in diverse circumstances and presenting different phases the interpretation of the common law presents many apparent inconsistencies. But the guiding principle of the common law was sound—it refused to enforce contracts or agreements in restraint of trade which implied a wrongful purpose—an injury to the public.

*This brings us back to the starting point. It is a question of choice between adherence to the rule of competition or the acceptance of the principle of co-operation and union in trade and commerce. If the people are going to adhere to the prohibition of all restraints of competition as the rule of American trade and commerce the Sherman Anti-Trust Law accomplishes that purpose. If they are going to accept the doctrines of union and co-operation as beneficial forces in trade and commerce an amendment of the Sherman Anti-Trust Law which shall definitely declare these principles to be its basis and define what acts and things are in violation of these principles is imperatively necessary.*

Many remedies are proposed as a solution of all the difficulties of the situation. Those most prominently presented are the establishment of an Interstate Industrial Commission; the national incorporation of companies engaged in interstate trade and commerce; the prohibition of holding companies and interlocking directorates.



## INTERSTATE INDUSTRIAL COMMISSION.

There is a popular belief in the infallibility of government by commission. In any political emergency a prompt suggestion is made to establish a commission to solve all questions. The argument is made that the enforcement of the law is an administrative matter and that it is necessary to have a commission whose true function is that of administration.

The mind is often captivated by a catchword. The word "administration" plays the role of catchword in the present discussion. The statesmen who drew the Federal Constitution and planned the Federal system were not amateurs in political science. They analyzed the functions of government and separated them into legislative, executive and judicial. The system was copied and adopted by practically all the States. The separation of these three functions became a fundamental principle of all Republican governments. The modern tendency in the United States is to merge the executive and judicial functions in a commission and call it an "administrative body." Every administrative commission is merely a board for the combined exercise of both judicial and executive functions. It is not germane to the purposes of this argument to discuss the merits of this merger of the executive and judicial functions. The practical question in reference to the anti-trust situation is whether the people wish to have an Industrial Commission clothed not only with executive and judicial functions, but also with legislative power.

The foremost advocate of an Industrial Commission is former President Theodore Roosevelt, who has recently restated his position in the following language:

What is needed is the creation of a Federal administrative body with full power to do for ordinary interstate industrial business carried on on a large scale what the Interstate Commerce Commission now does for interstate transportation business. (Outlook, November 25, 1911.)

Prominent among the supporters of this project are Elbert H. Gary, George W. Perkins, Samuel Untermyer and Seth Low, President of the National Civic Federation.

This project of administrative control over interstate trade and commerce has already been before Congress. In March, 1908, President Roosevelt in a special message to Congress suggested that the substantive law should remain as at present, but that any person

desiring to make a contract in restraint of trade should file the proposed contract with the Bureau of Corporations or other appropriate executive body. The executive department would have sixty days within which to forbid the contract. If the contract were forbidden it would then become subject to the provisions of the Anti-Trust law if it were at all in restraint of trade. If it were not prohibited it would then only be liable to attack on the ground that it constituted an unreasonable restraint of trade.

Judge Elbert H. Gary, Chairman of the Board of Directors of the United States Steel Corporation, Mr. Francis Lynde Stetson, chief counsel for Messrs. J. P. Morgan & Co., and Mr. Victor Morawetz prepared for the National Civic Federation a bill embodying substantially the recommendations of the President. The Judiciary Committee of the Senate made an adverse report on this bill in which it said:

The result is that, technically as to criminal prosecutions and practically as to civil prosecutions, a dispensing power, a power of granting immunity, is, in the one case, conferred on a mere bureau head, and in the other case on an administrative body, and in both cases without notice or hearing and wholly *ex parte*—a course of procedure that would not be tolerated in any court of our country.

It is easily comprehensible that the representatives of "big business" should be willing to have at Washington an Industrial Commission with power to grant indulgences and absolutions. Mr. Gary and Mr. Frick have demonstrated their ability to make a midnight trip to Washington and before noon of the next day to get from the President and the Attorney-General a practical promise of immunity from interference in the acquisition of their most important competitor at a time of financial panic when the property was not otherwise salable.

The serious question is where will the man of small business—"the little fellow"—be under the rule of an Industrial Commission? How will it promote his prospects of success to have the conduct of his business continually "administered" at Washington? Is the margin of profit in a small business sufficient to bear the expense of maintaining or sending a legal or commercial representative to Washington at all times to see that the decisions of the administrative board are just and satisfactory. Evidently not. The promoters of the idea themselves limit it to enterprises which do busi-

ness "on a large scale." This separation of "big business" is more ingenious than generous, more plausible than sound. The probable and practical result will be that "big business" will secure immunity from the strict enforcement of restrictive and prohibitive laws to which "small business" will be subject.

"Small business" must not be misled by the analogy of the Interstate Commerce Commission in transportation. The problems confronting the Interstate Commerce Commission were of a concrete character and limited in number—reasonable rates, rebates, discriminations, undue preferences, equal facilities, long and short hauls, continuous carriage and publicity of tariffs. All these problems were defined and the corresponding prohibitions stated in the law establishing the Interstate Commerce Commission.

Unless Congress proposes to delegate to an Industrial Commission the power to legislate there is nothing for an administrative Industrial Commission to do until the law has definitely defined what men engaged in interstate trade and commerce may lawfully do and what they may not do. The members of the Industrial Commission must either exercise their own opinion as to what the law ought to be or have a definite law to guide them in the performance of their administrative duties.

In the American Tobacco case the Supreme Court practically designated the judges of the United States Circuit Court for the Southern District of New York as an Industrial Commission to reassemble the parts of that great combination in a manner in conformity to the law. If any of the parties directly or indirectly interested were satisfied with the work of the United States Circuit Court for the Southern District of New York while sitting as an Industrial Commission for the reconstitution of the component parts of the American Tobacco Company their satisfaction has not received proper notice in the public press. It is doubtful whether any President will ever secure four men better qualified to become members of an Industrial Commission than the four judges of the United States Circuit Court for the Southern District of New York. Any criticism of their work must be laid to the indefiniteness of the law they were trying to "administer."

*There may be good and sufficient reasons why the establishment of an Industrial Commission will make the interpretation and enforcement of a good law more uniform and practical. But these benefits cannot be derived from an Industrial Commission or until the Commission has a good law.*

**NATIONAL INCORPORATION LAW.**

The national incorporation or registration of companies engaged in interstate trade and commerce is proposed as a means of solving industrial problems. The foremost advocate of a Federal Incorporation Law is President Taft. In a special message to Congress on January 7, 1910, he proposed such a law and has renewed his recommendation for its passage in his annual message on December 5, 1911. The plan has advantages and there appear to be no good reasons why a law permitting national incorporation or registration of companies engaged in interstate trade and commerce should not be passed. The law will probably have to be made permissive in order to overcome the opposition of the States.

The enactment of a law merely for the national incorporation or registration of corporations will not solve any industrial problems. When the companies have been incorporated or registered and received their license to engage in interstate trade and commerce they must know the law and obey it, unless they are to be licensed to disobey the law. The same question recurs continually for definition and decision. What can corporations lawfully do and not do? When that definition has been made the question whether those acts are done by a corporation organized under the Federal law or under the laws of any State is a minor matter. They must conform equally to the requirements and prohibitions of the Federal law in so far as interstate trade and commerce are concerned.

*If the advocates of an Industrial Commission and National Incorporation would turn their attention from the construction of the machinery for the administration of the law to the construction of the law they would make more progress in clearing the clouds from business.*

Haste makes waste. Congress can start with the adoption of a simple law prohibiting only those acts and things which are certainly injurious to trade and commerce. The Department of Commerce and Labor can be equipped with men and money to enable it to ascertain by investigation what further practices ought to be declared by statute to be injurious to trade and commerce. When its recommendations have been submitted to Congress from time to time a law ought to be evolved which should not require continual administration nor continual interpretation, but merely con-

tinual enforcement by the usual and ordinary methods of the enforcement of any other law.

*The great majority of business men will prefer to give continual obedience to a law they understand rather than be subject to the continual administration of a law they do not understand.*

The principal concrete suggestions in the direction of precise definitions of unlawful acts and things are the prohibition of holding companies and interlocking directorates.

### PROHIBITION OF HOLDING COMPANIES.

The prohibition of holding companies will have at least one very simple advantage. It will tend to prevent the centralized control of allied industries. It will prevent the permanent control of a string of important enterprises by a small number of men whose entire investment is only a small percentage of the total capitalization of the combined industry. In many instances the real control may be held by men owning a bare majority of the stock of one company whose assets are used to acquire control of one or more additional companies whose combined assets are in turn used in the same manner for the acquisition of control over other companies. The prohibition of this form of control will accomplish much in preventing the concentration of trade and commerce in the hands of a few men.

An unqualified prohibition of any corporation engaged in interstate trade and commerce from holding stock in another will not be entirely feasible under our system of States' rights. It will open wide the door to discrimination by States in favor of domestic corporations and against foreign corporations. Corporations of other States are not "citizens" within the meaning of the Constitutional clause which provides that "the citizens of each State shall be entitled to all the privileges and immunities of citizens of the several States." Each State may discriminate in favor of its own corporations and against those chartered by another State. It was to prevent such discrimination as to individuals that the control of interstate trade and commerce was given to the Federal government. The absolute denial of the right of a corporation engaged in interstate trade and commerce to hold stock in another company would make it easier for one State to discriminate in favor of a domestic corporation against the business of a company organized in another State.

The development of an industry may be greatly promoted by allowing the parent company to organize subsidiary companies either for the purpose of doing particular branches of its business or for the purpose of doing its business in a particular State or in a particular foreign country. A proper line may be drawn by providing that no corporation engaged in interstate trade or commerce may own or hold stock in another company unless the parent company owns all of the stock of the subsidiary company except the minimum amount necessary to qualify incorporators and directors in the State or foreign country where the subsidiary company is organized or proposes to do business. To this provision may be added the requirement that a majority of the directors of the subsidiary companies must be directors in the parent company, and that the identity of the subsidiary companies as a part of the parent company must be made a matter of public record.

#### PROHIBITION OF INTERLOCKING DIRECTORATES.

Another means of checking the concentrated control of industries is the prohibition of interlocking directors in companies which have business relations with each other of a character which ought to call for antagonistic or at least independent judgment.

The control of banking and transportation ought to be separated as far as possible from the control of industrial enterprises, the success of which must be dependent on them for fair and equal treatment in the matter of transportation and loans. The principle of this separation has been recognized in the "commodity clause" of the Act of June 29, 1906, which prohibits the transportation by the railroads of the products of industries owned by them. This principle ought to be extended to prohibit directors and officers of railroads from being directors and officers of industrial companies which are or may be customers for transportation.

The necessity for a similar separation of the direction of banking and industry is shown in the attacks upon that indefinable thing called the "Money Trust."

#### THE MONEY TRUST.

The argument against trusts is very apt to degenerate into a heated tirade against the "Money Trust." The bankers are in popular imagination the men responsible for all the evils in trade and commerce to which other mortals are subject. The men who

compose the "Money Trust" are the men who are entrusted with the loaning and investing of the savings of the people. So far as they can the people entrust the loaning and investing of their savings to the men who do not lose it or steal it. The custodians of the savings of the people always have had and always will have all the power that the "Money Trust" is now accused of exercising. There never has been and never will be any escape from their industrial and commercial power unless the government takes from the people who economize and save the right to select the agents and custodians of their funds.

Their power and influence has been increased by the supervision to which their control of the funds has been subjected. Supervision increases the size of the strong financial institutions and eliminates the weak ones. This supervision has been directed primarily to preventing the managers of financial institutions from stealing or losing the funds entrusted to their care. It ought to be extended to preventing their using them to promote and develop industries in which they are interested and hinder and destroy their rivals.

The functions of bankers and the functions of merchants and manufacturers ought to be kept separate as far as possible. The most efficient method of maintaining this separation of functions is to provide that no loans shall be made directly or indirectly by any National Bank to any officer or director. The funds of the banks should be always available to customers who borrow on the merit of their security and not to insiders who borrow on the basis of their influence.

### CONCLUSION.

*We should be much nearer a solution of the real evils of our industrial development if Congress would first take as the foundation of its Anti-Trust legislation the protection of the rights of life, liberty and property with such supplemental definitions of acts injurious to trade or commerce as the conditions of modern industry make necessary or desirable, and then provide the machinery for its enforcement.*

Mr. President and Gentlemen: I have drafted and printed at the end of this pamphlet what I have called a Federal Anti-Trust Act. I am not conceited enough to suppose, even from my point of view, that I have arrived at the final word of wisdom in regard

to the terms of that law, but I do believe that the broad lines upon which it is drawn would furnish a very much better foundation for sound and sensible legislation on the subject than the present recommendations from labor and capital. If it is not asking too much of your time and patience, I should be glad to have every business man read that proposed law, even if he does not spend any time reading the expression of my opinion as to the method by which I arrived at it; and I shall only hope that, as a return for the great attention and courtesy that has been paid to me here, the work I have done will be of some value to the deliberations of this organization. (Applause.)

## PROPOSED FEDERAL ANTI-TRUST LAW.

AN ACT TO PROMOTE TRADE AND COMMERCE.

BY MR. PAVEY.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

Section 1. All organizations, associations, combinations and agreements in matters of trade and commerce between the states and territories of the United States and the District of Columbia and with foreign nations, the purpose and effect of which are to increase the wages and improve the conditions of employment of labor are lawful, unless they violate rights of life, liberty and property.

Sec. 2. All organizations, associations, combinations and agreements in matters of trade and commerce between the states and territories of the United States and the District of Columbia and with foreign nations, the purpose and effect of which are to regulate competition, improve the conditions of business and increase the profits of capital, are lawful unless they violate rights of life, liberty or property or injure trade or commerce.

Sec. 3. Every act and thing prohibited by this section, shall be deemed an injury to trade or commerce between the states and territories of the United States and the District of Columbia and with foreign nations within the meaning of this act.

(a) After the expiration of one year from the passage of this act, no corporation, joint stock association or partnership engaged



in trade or commerce between the several states and territories of the United States and the District of Columbia or with foreign nations shall own or hold stock or shares in any other corporation, joint stock association or partnership, engaged in such trade or commerce, except that any such corporation, joint stock association or partnership may acquire or organize a subsidiary corporation, joint stock association or partnership in any state or territory of the United States or the District of Columbia or any foreign country in order to avoid a conflict of laws or escape double taxation, or have the right to do business or acquire property within such state or territory, District of Columbia or foreign country; provided that all the stock or shares of the subsidiary corporation, joint stock association or partnership, except so much as may be required by the law of the state or territory or foreign country where such subsidiary company is organized to qualify directors and officers, shall be owned and held by the parent company, joint stock association or partnership and a majority of the directors of the subsidiary company shall be directors of the parent company, and provided, further, that every such parent company shall file a statement in the office of the Bureau of Corporations, in the Department of Commerce and Labor at Washington, stating in detail, the reasons why such subsidiary company has been acquired or organized; the names of the persons holding stock or shares in such subsidiary company, and the amounts held by each; together with the names of the directors of the parent company and of the subsidiary company; and, provided further, that the names of the parent company and the subsidiary company shall appear on all letter heads, bill heads and invoices of both companies.

(b) After the expiration of one year from the passage of this act, no person who is an officer or director of any railway company or other corporation, joint stock association or partnership which is engaged in business as a common carrier in trade and commerce between the states and territories of the United States and the District of Columbia and with foreign nations, shall at the same time be an agent, manager, partner, officer or director of any industrial or commercial corporation, joint stock association or partnership engaged in such trade or commerce.

(e) After the expiration of one year from the passage of this act, no person shall be at the same time an officer or director of more than one National Bank in any one city of the United States.

No loans shall be made by any National Bank, directly or indirectly, to any officer or director of such bank. No National Bank shall purchase or acquire in any other manner than in payment of a debt, any securities in excess of 10% of the capital stock of the bank.

(*d*) After the expiration of one year from the passage of this act, no corporation shall engage in trade or commerce between the states and territories of the United States and the District of Columbia and with foreign nations, if the shares of its capital stock, or any part thereof, are held in a voting trust.

(*e*) After the expiration of one year from the passage of this act, no corporation shall engage in trade or commerce between the states and territories of the United States and the District of Columbia and with foreign nations, if the stockholders are not entitled at each election of directors to as many cumulative votes for one or more directors of the corporation as equals the number of shares held by them multiplied by the number of directors to be elected.

(*f*) After the expiration of one year from the passage of this act, no corporation engaged in trade or commerce between the states and territories of the United States and the District of Columbia and with foreign nations, shall have in its business within the United States the same clerical organization, keep the same office or offices, retain or employ the same agent or agents for the purchase of its materials or the sale of its products or have the same officers or directors as any other corporation engaged in whole or in part in the same business.

(*g*) After the expiration of one year from the passage of this act, no corporation engaged in trade or commerce between the states and territories of the United States and the District of Columbia, and with foreign nations, shall do business, directly or indirectly, under any other name than its own corporate name or the name of a subsidiary controlled by it, and the products of the subsidiary corporation, which are sold in the United States and bear the name of the subsidiary company, shall also bear a statement indicating the fact of such control.

Sec. 4. Every person who, alone or in combination with others, does or causes to be done, any act or thing in matters of trade or commerce between the states and territories of the United States and the District of Columbia, and with foreign nations, which violates any rights of life, liberty or property, or injures

trade or commerce, or who does or causes to be done any act or thing prohibited by this act, shall be deemed guilty of a misdemeanor, and on conviction thereof, shall be punished by a fine not exceeding five thousand dollars or by imprisonment, not exceeding one year, or by both said punishments in the discretion of the court.

Sec. 5. The several circuit courts of the United States are hereby invested with jurisdiction to prevent and restrain violations of this act; and it shall be the duty of the several district attorneys of the United States, in their respective districts, under the direction of the Attorney General, to institute proceedings in equity to prevent and restrain such violations. *Any one or more persons may institute proceedings in equity to prevent and restrain such violations.* Such proceedings may be by way of petition, setting forth the cause and praying that such violation shall be enjoined or otherwise prohibited. When the parties complained of shall have been duly notified of such petition, the court shall proceed as soon as may be to the hearing and determination of the case; and pending such petition, and before a final decree, the court may, at any time, make such temporary restraining order or prohibition as shall be deemed just in the premises.

Sec. 6. Whenever it shall appear to the court before which the proceedings under Section 5 of this act may be pending, that the ends of justice require that other parties should be brought before the court, the court may cause them to be summoned, whether they reside in the district in which the court is held or not; and subpoenas to that end may be served in any district by the marshal thereof.

Sec. 7. Any person who shall be injured in his business or property by any other person by reason of anything forbidden or declared to be unlawful by this act, may sue therefor in any circuit court of the United States in the district in which the defendant resides or is found, without respect to the amount in controversy, and shall recover three-fold the damages by him sustained and the costs of the suit, including a reasonable attorney's fee.

Sec. 8. Whenever in any civil or criminal suit or proceeding brought by the United States under the provisions of this Act, a final judgment or decree shall have been rendered to the effect that any person has done, or caused to be done, any act or thing in violation of the provisions of this Act, the existence of such act or thing shall, to the full extent to which the issues of fact or law were liti-

gated, and to the full extent to which such judgment or decree would constitute in any other proceeding an estoppel as between the United States and such person, constitute as against such person conclusive evidence of the same facts and be conclusive as to the same issues of law in favor of any other party in any other proceeding brought under the provisions of this Act.

Sec. 9. In any civil proceeding begun pursuant to the provisions of this Act by the United States in which a judgment or decree, interlocutory or final, shall have been entered to the effect that any defendant has done, or caused to be done, any act or thing prohibited by this Act, any person claiming to have been injured by any such act or thing, shall be admitted on intervening petition to the suit to establish such injury and the damages resulting therefrom, and may have judgment and execution therefor, or any other relief to the same extent as if an independent suit had been brought by such person pursuant to the provisions of this Act. Such intervening petition, or independent suit, shall not be barred by lapse of time if begun within one year after the entry of a final decree or judgment, either in a civil or criminal proceeding brought by the Government establishing the violation of this Act by any defendant.

Sec. 10. The word "person" or "persons" wherever used in this Act, shall be deemed to include corporations and associations, existing under or authorized by the laws of either the United States or the laws of any State or Territory or the District of Columbia or any foreign country.

THE CHAIRMAN: Gentlemen, the paper by Mr. Pavey is now open for discussion. We will be glad to hear any remarks.

MR. HOOLE (of Indianapolis): The gentleman who has just addressed us on the Sherman Law said, as I understood it, that any agreement with a competitor on trade or matters in trade would violate the law. In connection with the discussion of this law, and the various heated arguments that have been carried on upon this subject, little has been said, as far as I could learn, in regard to associations of manufacturers, of which there are in this country in the neighborhood of 1,200, except where those associations have gone into pools, held intact by process of fine, or some other method of intimidation. Now, there are a great many hundred, a great many thousand manufacturers in this country who desire to be independent proprietors of their own plant and property. It does

not make any difference to them whether they do a business of \$50,000.00 a year or \$1,000,000.00 a year. They desire to run their own property, own it. It has been recognized, however, by those individual proprietors that there are certain features in the trade that can be dealt with by means of manufacturers' associations.

I happen to have been personally connected in various ways with twenty-five such associations, and in the last three years 25 per cent of the discussions in those association meetings has been around the subject of what we can do that is within the law. Now, I am speaking merely to offer suggestions or as a subject for discussion possibly tomorrow, or by resolution in this connection, upon the subject of what the manufacturers' associations can do rightfully, what they can agree upon, and what they cannot agree upon. I have here—I am not going to speak very long—a letter that I wrote which happens to hit the subject very closely. It covers, in the headings, those things which all those twenty-five associations, the members and the attorneys they retain, said could be done under the present law. If construction were to be carried to the point the last speaker stated, none of these things, or hardly any of them, could be done.

The first is the collections and credits; maintenance of a collection bureau and the maintenance of a rating broker. In this city there are four or five associations of furniture manufacturers working out of one office who have carried on for a period of six or seven years a collective effort for getting money from poor accounts.

The next matter, of sales, prices. There are associations now that have lists of prices that are recommended—not agreed upon, but recommended. Also the associations get together and not agree but discuss as to which price should be given to an individual customer, such as jobber's, retailer's or consumer's price. There is also the matter of letting each other know what prices are given in the trade, that is, by reporting to a central office what prices they are giving to different customers.

As a matter of purchasing material, the listing of prices on material.

The matter of uniform accounting, of agreeing to all carry on their accounts under the same uniform scheme.

Further, to deliver to the central office the cost of goods. One organization each month has delivered to its office from some hundred members the costs on the articles turned out in the previous month.

There is the matter of freights, insurance; the matter of treatment of the sales policy. There are numerous matters which can be dealt with in a co-operative way, and this is an attempt on the part of the small proprietor to combine with his small proprietor in securing the advantages of a large combination. Everybody recognizes the economic advantage of a large combination. These organizations or these associations are an attempt to give the smaller companies the advantages of the larger organizations.

These association efforts are honest, well-meant, and they are actuated with a desire to be within the law, yet if the present agitation, as it has been interpreted by some of the speakers at this meeting—if the agitation is carried on it may go to the point where they will say that no competitor shall meet with his competitors in any kind of a meeting, even at a dinner, such as the Gary dinner, which was criticised recently at Washington. The attempts are the attempts made by the association and, as seen by most of the manufacturers, are to eliminate ignorant competition. No one wants to eliminate wise competition or co-operative competition, which produces better articles for less money; but to eliminate unwise competition and to eliminate the abuses in the trade and to disseminate knowledge.

These organizations are many. There are probably representatives from four or five in this room, and they cover, even taking into consideration the big business of the country, a larger capitalization, a larger output, a larger investment than a total of all the trusts, so-called, and have more to do with the life of the country and the life of the trade in their various lines than perhaps do the trusts, so-called.

The point I am coming to: I would like to suggest that some representatives of other associations here endeavor to bring out in some definite form the statement of their belief as to what associations can do to formulate that into such a state that it can be presented in the records of this meeting and, through the committee, to Washington, in the proper manner.

I thank you, gentlemen.

MR. BRUCE: This convention will have to give expression, in a clear-cut manner, on these economic questions, in a clear-cut resolution. I desire also to call your attention to some of the investigations and studies that have been made on this question. Some ten years ago, there was called a convention or congress in this city for the purpose of offering some solution on the trust problem. The congress or convention at that time was perhaps one of the most important gatherings ever called in this city to solve a great economic problem. There came to this city men in all the activities of life, the important activities in life, and there came out in that discussion three distinctive propositions. First, there were those who held the trusts were vicious; there were those who took the other extreme and said, Let them alone; and there came the third school that held that publicity was the remedy. That meeting was held ten years ago, when a solution or a study of the proposition was entirely new. Eight years later there was again called a conference on the same subject, and there came from all parts of the country men who had given eight years' study, who had come with eight years' experience, and now watch the change. There was not one man who said: "Smash the trusts;" there was not one man who had given any thought or study who said: "Let them alone;" nor was there anyone who said that publicity was the solution, but the students and the economists, the men who had given the subject thought, time, attention and study were all of one mind in saying that proper regulation was its only solution. That there were combinations and agreements which were beneficial to the public, and that there were those that were harmful; and I hold that that solution must be applied. Sherman Law or no Sherman Law, the conclusion will have to be that there are agreements upon prices and grades and commodities that are beneficial, not only to the producer, who has a right to a proper earning upon his investment, who has a right to be protected, but it will also be beneficial to the consumer.

And so I hold to the conclusion that there will have to be regulation, and that regulation cannot be state regulation, but must be federal regulation, and that there must be established some agency—call it industrial commission, a court of commerce—that will have to determine upon agreements and combinations that are beneficial and upon agreements and combinations that are harmful. I hold

that this organization, this important gathering, should come to the announcement that regulation must be the proper solution.

Tomorrow resolutions will be offered here, and those resolutions ought to be upon progressive lines, accepting the best thought of the day, and then send them out to the country as the expression of progressive and advanced manufacturers and business men. (Applause.)

THE CHAIRMAN: The meeting is now open for discussion of the general propositions on all the papers that have been read and, at the same time, anticipating the papers to be read tomorrow. The Resolutions Committee will be very glad to have a free and frank expression of opinion. It may be of some value to them and help them to formulate the resolutions in correspondence to the ideas of the Congress.

MR. BANNISTER (of Indiana): Mr. Chairman and Gentlemen: I am a manufacturer of over twenty-seven years' experience, and I am very much interested in the subject of the last paper, perhaps in a different form as it might apply to organizations.

There was a time in our history when the human family was the complete organization of government, commerce and trade. The father's and mother's idea and word was law; the son cut the trees and the daughters spun the yarn to make the clothing. That was common, and the two combined, or the three combined made the labor organizations. At such time there was no such thing as strikes, lock-outs, combinations in restraint of trade. There could not be such things.

We have had for a long, long time efforts to restrain combinations. As I said, I am a manufacturer; I am also a Republican, always have been, and I have a definition in my own mind of the difference between a Republican and a Democrat: the Republican is the fellow who finds fault with that which is wrong; the Democrat also finds fault with that which is wrong, and up to that point they are both alike, but the Republican always tries to provide a remedy; the Democrat simply finds fault.

What is the remedy for all of this we have been talking about? Is competition the life of trade? No, no. My dictionary tells me that competition means strife for the same object, and it goes on and says: "Fights, battles." And you could add something else to



it: Competition, strife for the same object means battle, fight to death. So that unrestrained competition means the death of trade.

How are we going to remedy it? Not by continuing competition. I can take you down on Fourth Avenue in the city of New York, as I have been there on an August afternoon, and see little girls fourteen or fifteen years old—Sunday afternoon, at that—on the second or third or fourth floor, running a sewing machine, making shirts at a starvation wage so that you and I or anybody else can buy them at fifty cents apiece. That is one branch of the competition; they start where the daughters spun the yarn. We have in Chicago one branch of the family and another in New York, and they go back and forth on the competitive idea until there is nothing for them to do. The manufacturer cannot do anything else except to meet the New York competition; the New York man is not to blame, because he cannot do anything but meet the Chicago competition. Labor is ground down by this competition until there is nothing for them to do but strike. You had a good example of it in Chicago a short time ago among your clothiers. There were some battles, and I think eighteen deaths were the result. I maintain that the remedy for all this is a national law that will not attempt to prevent organization, but that will absolutely require people of a like interest to come together into an organization and become bureaus of information that will show their right to live; that will show that they pay their laborers a reasonable price; that will show to the producer that there is a profit in the business, and show next to the customer and to the public finally. The producer must know, in order to be able to continue in the business, that he is making money. The consumer must know, because he is the public, and he must be willing to pay the laborer his hire, and the public generally that invest their money in those organizations, must know that they are safely invested. I do hope that this Congress, before it adjourns, will come to some distinct and positive recommendation. I am not a lawyer, and you can confuse me very quickly upon the law points, but the object to be reached is that which will enable all trade, all commerce in this country to be conducted at a profit and to pay its labor a worthy hire.

The chair that I have hold of with my hand has nothing whatever in it except labor, absolutely nothing. The clothes that are upon your backs have nothing in them that makes them cost anything except labor. When God created the earth and man He gave

him everything that was on it and in it and said, Go out and utilize it. The only thing that made it cost anything, your coat, was the labor that had been put into it up to that point, and the only thing that made it cost anything to the man. There is absolutely no such thing as cost of raw material. The ore costs nothing in the ground; the coal costs nothing in the ground. The wood in the trees costs nothing on the ground. There was no charge made by the Creator when He gave them to mankind, and the only thing that has made them cost anything is the labor that we have put in them. Now, then, if we are going to continue—and we are all laborers—to live and to live right, we are going to be obliged sometimes to share equally and rightfully with each other as we go along, and that can be done, in my opinion, by a law that requires every interest of a like nature to form itself into an organization which will be able to show whatever officer or executive committee or anything else you may put in it, that it has the right to live.

Gentlemen, I thank you. (Applause.)

MR. STACKHOUSE (of Springfield, Ohio): Mr. Chairman and Gentlemen of the National Business Congress: In my judgment, it has been a splendid thing, particularly to all this great organization, to get together here this week, the representatives of so many commercial organizations and so many various lines of business, for the purpose of indulging in a discussion absolutely dispassionate, as well as equally non-political, upon some of the most important questions of the day that have been selected with most rare discrimination, in my judgment, by this organization, under whose auspices this meeting is being held. And while no one can question the vast importance of the various subjects that we are invited to consider here today, nevertheless, out of many of the half dozen problems that are submitted at any time for the consideration of thoughtful men, existing conditions at that particular time of necessity makes one of those problems of more or less paramount interest. That, I submit, is the case today, for, owing to the present exigencies of our political and commercial situation, in my judgment, the industrial situation is paramount in importance even to the half dozen other propositions so commendably and intelligibly submitted for your consideration by this organization. And, proceeding on that premise, I also submit that, inasmuch as all of us who are in industry, whether on a large or small scale, are vitally

interested in all legislation that affects industry, for the reason that anything, whether legislative in character or otherwise, that affects the principal industrial organizations of this country, of necessity affects correspondingly all industry.

Hence, it is particularly appropriate that, regardless of our respective lines of business, we devote our most serious thought to the consideration of this particular problem at this time. It is of even more importance that we do this, for the reason that the general serious apprehension existing everywhere with reference to our vast commercial interests is principally due, or at least in a large part due, to the delivery of national affairs to demagogues of various kinds, whether political, labor or otherwise, and to more or less theoretical and professional reformers, political opportunists in their political efforts to correct certain defects. All that affects our industrial life, and it is especially appropriate that this subject be considered in this city and in this country.

We were told here by one of the distinguished speakers yesterday, and correctly so, that the foreign commerce of this country, including our exports and imports, exceeded the tremendous sum of three and one-half billion dollars annually, while our internal commerce has reached incredible and almost incomputable figures. As an illustration: It was approximately estimated here yesterday that the total commerce of this country amounted to thirty billion dollars, a sum vastly beyond the comprehension of every one of us. Our enormous railroad systems comprise a mileage of 142,000 miles, so that you see our commercial interests not only are decidedly substantial, but it is our commendable boast that our country today occupies a prominent position in the entire commercial world, which at this time is seriously threatened by certain persons to whom I have just alluded.

During its early history, when our population was scattered and not very numerous, it was chiefly engaged in agricultural pursuits, to which later on was added the manufacturing business, and then the solution of the transportation problem by the building and operating of our vast railroad systems.

Immediately after the Civil War and its general devastating effects Congress resumed its sway, and our people, constantly and largely reinforced by a desirable emigration from the British Isles and Central and Northern Europe, again turned their attention to

the peaceful pursuits of industry, and also by way of stimulating influential energy and mechanical ingenuity in addition to building up a substantial foreign trade. Gradually, however, as our population increased, due not only to natural laws, but to this vast emigration to which I have referred, our commercial system correspondingly increased in volume, and in its tremendous ramifications in the mad strife for business, competition became so keen—and we hear a great deal of competition nowadays, resulting from the competitive system—competition became so keen that operatives in most of our factories and elsewhere were vastly underpaid. Railroads became engaged in the issuing of discriminatory rates and granting rebates, thereby seriously injuring and impairing the welfare of many communities and many shippers; while the manufacturer likewise pursued the same ruinous competitive policy of selling his products around, or regardless of, cost, and at the same time, or, to be more specific, in 1890, owing to a general apprehension that certain large corporations or combinations of capital would be effected for the purpose of obtaining a monopoly in our various lines of business among rivals in those lines the Sherman Act was adopted, absolutely proscribing such mergers, and providing severe penalties for its violation. Now, regardless of how much-gifted attorneys may see fit to indulge in a technical discussion of either the spirit or whole of the Sherman Act, its general character is absolute prohibition of all industrial combinations. That is the temper of the law, both in spirit and letter. Consequently, with our multitudinous concerns in the various lines constituting our industries being absolutely prohibited from either decreasing their numbers or increasing their effectiveness in the way of indulging in these combinations, the Sherman Act absolutely prohibited it, and with the result that I have indicated, that during the last decade of the last century general apprehension and the most disastrous situation prevailed generally in this country among all lines constituting our industrial system—and gentlemen, that not only includes capital, the employer, but the railroads and labor of all kinds. What is the result?

During the first decade of the twentieth century, and more or less in contravention of the provisions of the Sherman Act, combinations were made and indulged in as a matter of interest or expediency. The railroads, for instance, adopted the pooling system and provided through rates and routes for both passenger and freight, while numerous industrial combinations engaged rival lines

which were affected. At the same time labor organizations were rapidly formed for the most commendable purposes. I wish to state right here that during the early years of their existence they accomplished splendid results in the way of inducing manufacturers to provide safe and sanitary surroundings in which they should be employed. They were also later on largely instrumental in the adoption of laws in our various states, covering the installation of safety devices for the prevention of accidents; and, in addition to that, they vigorously endeavored to induce employers to pay larger and more stable wages, which was perfectly proper, in my judgment.

But, on the other hand, the underlying idea which prompted these concerns to effect these combinations more or less illegally, as they were, was for the purpose of obtaining some economical results in the management of their organizations, besides increasing their efficiency, and being able to sell their product at a profit, but at moderate prices. That was the underlying idea, regardless of how it may have worked out in certain cases. And, gentlemen, we must remember that stability both of prices and of labor is one of the most important elements involved in our commercial system; but just as the permanent success of labor is dependent on the stability of living and reasonable wages, so, gentlemen, is the success of the commercial end of industry absolutely contingent upon the stability of moderate prices.

Now, as the result of these various combinations that were effected, both by the commercial end of industry and labor, what was the result? During the first decade of this century we increased our internal commerce, as I have stated, to almost incredible figures, and our foreign commerce, including both imports and exports, reached the enormous sum of three and a half billion dollars a year, while, on the other hand, the American workman received higher wages than he ever had before or than were paid elsewhere, and general prosperity reigned throughout the land. Then, unfortunately, gentlemen, and owing to the inherent cupidity of human nature, certain of our industrial combinations to which I have referred began to indulge in certain reprehensible methods for the obvious purpose of obtaining a monopoly in restraint of trade, and, on the other hand, by strangling competition or destroying it, which it did sometimes by selling at moderate prices. And, on the other hand, labor unions likewise, apparently having become unsettled by their

unprecedented power and the remarkable prosperity of their members, indulged in some very reprehensible methods, such as, for instance, in unreasonable demands for further advance in wages, for the recognition of the union to such an extent that without its approval none of the proprietors of industry could make effective any economical policy whatsoever in the management of their business. In addition, restricting output and resorting to criminal and cowardly boycott.

At the same time a most vigorous warfare was started by organized labor throughout the country, which became exceedingly hostile against unorganized labor, while certain labor leaders connived at and promoted more or less crimes, some of which culminated in murder, with some of which we are more or less familiar, owing to recent exposures. So now, gentlemen, we have seen in a brief way the disastrous results incidental to unlimited competition up to the close of the Nineteenth Century. We have also seen the equally disastrous results in other respects incidental to unrestricted monopoly in certain lines; and we are now confronted with the proposition of how to solve the perplexing problem—and perplexing it certainly is to all of us.

Now, in connection with this problem, it must be borne in mind, particularly by these gentlemen who are advocating the resurrection of the old competition system to Congress, that when you advocate that, in order to be consistent and fair, you must apply that same ruinous policy to all the elements constituting our commerce, the principal elements being capital and labor, because it must be patent, manifestly patent, to any one that you cannot successfully apply the competitive system to the commercial end of industry only, while maintaining high wages on a high basis.

Another thing: if industrial combinations are wrong theoretically, it would seem to be that labor combinations are also wrong in principle, as both affect prices.

In my opinion, another very important contributory element, that is contributory to the present existing distressing situation in our industrial system, is the apparently fixed and destructive policy of our national administration, in attempting to solve a perplexing problem solely in each case by litigation—instead of attempting to specifically advise industry as to what it can properly do within the law in the successful conducting of its business, or at least in co-operating with industry in both a friendly and public manner in

ascertaining what it can do, or in assisting it in obtaining proper and specific legislation; legislation so specific in its provisions, that it would be easily understood, so that in that event, its violation would be absolutely inexcusable. And, gentlemen, in this connection it must be remembered, at least in my opinion, that the present drastic measures that are being applied to industry indiscriminately, in order to solve this problem, are bound to be as unsatisfactory in their effects as would be the case of a surgeon in attempting to correct some defect in the human system by amputating his patient's head.

Gentlemen, as a solution of this problem, let me again remind you of the self-evident fact that capital and labor constitute the two principal component parts of industry. Without the existence of either of these two elements, there can be no industry. And without their friendly co-operation, there can be no prosperity permanently.

And, that being the case, gentlemen, in my judgment, it becomes absolutely necessary that all labor, whether organized or not—labor's interest might be seriously jeopardized by this wholesale attack on industry, this ill-advised attack on our commercial system, as is the commercial end of industry, as both are equally involved in our commercial system. Now, if that conclusion is true, it then seems to me absolutely necessary that the commercial end of industry invite the rank and file of all labor—and with reference to organized labor, in my opinion, the rank and file of organized labor are not criminals nor, in my judgment, are they going to permit themselves to be further led by some criminal leaders.

Hence, I make this statement, that we appeal to the rank and file of all labor to join in an honest endeavor to induce the proper governmental authorities, both national and state, to co-operate with us towards stimulating a general resumption of industry in the way of the legal substitution for the present obsolete, restrictive policy under which we are obliged to operate without violation of the law; for equitable legislation that will discriminate against no class; that will be constructive in character; that will be specific in its provisions, and so comprehensive in its scope as to afford the necessary facilities for the successful conducting of the country's business in its constantly increasing volume, and in this way I submit that this country will be able even to excel all past records

which have given it its present prestige and pre-eminent position in the entire commercial world, and in this way can we rest assured, gentlemen, that the American Eagle will soar to the zenith of commercial prosperity and power.

I thank you. (Applause.)

MR. WALLIS: I just want to say a word on this labor proposition. In all of the papers of nearly all of the speakers, my own included, we have referred to organized labor. Now, I think that this Association, in its wisdom, with reference to any resolution touching upon the labor situation, should bear in mind that organized labor as it is known today, does not represent labor. It represents possibly ten per cent. And it is the duty, as I undersand it, of the business man of today to draw unto him the ninety per cent; and if in the past employers of labor in this country had not been cowardly in their attitude toward labor, they would have had ninety per cent with them.

You can go back over the history of the strikes that have taken place in this country, and men have been willing to come in to have an opportunity to improve their condition, and you have given them that opportunity until you settled with the labor union. Then those men went out in the street. What would they do, or what would you or I or anybody else do under similar circumstances? You would go and join some sort of an organization for protection.

If the business men of this country will, in this session, or some session following this, promulgate a business policy for the protection of labor—not organized labor, but all labor—and build a fence strong enough so that when a man who does not belong to a labor organization feels he can lean up against it and the fence is not going to give way, he will be glad to come in with you, because the rank and file today realize that upon business prosperity hinges their prosperity; that if business does not prosper and they cannot be employed, they are at a disadvantage. But I think that we should make a clear cut distinction between organized labor and the rank and file.

THE CHAIRMAN: The floor is now open for any resolutions which may be ready to offer, to be referred to the Resolutions Committee.



MR. PAVEY: Mr. Chairman, at the suggestion of one or two men, I am asked to propose a resolution, that a committee of five be appointed for the purpose of consulting together for the purpose of forming an association, the objects of which will be similar to this; and before we adjourn, I offer that resolution: that the Chairman appoint a committee of five, or it can be referred to the Committee on Resolutions.

THE CHAIRMAN: The resolution is in relation to the appointment of a committee of five, or at least for the Resolutions Committee to appoint a committee of five, to bring about some plan of forming an Association which will embody all of the Associations in the form of a National Association, and making a business congress for carrying out the resolutions of the different congresses as they are made. In other words, to make a permanent National body.

MR. PAVEY: In explanation of the resolution, the language is a little indefinite. The desire was to arrive at some permanent organization that would make other congresses effective in their work.

MR. WALLIS: I quite agree with the idea of the necessity for such action, but isn't that properly a subject for our Resolutions Committee?

THE CHAIRMAN: This is authorizing the Resolutions Committee to formulate that plan, only.

MR. WALLIS: Why not present the idea to them and let them formulate a resolution which would cover it?

THE CHAIRMAN: That is the resolution.

MR. WALLIS: I thought the resolution was for the appointment of a committee of five.

THE CHAIRMAN: For them to do that if they like, or not.

MR. PAVEY: Perhaps I did not express myself very well. The suggestion was made that the chair appoint a committee of five, but it was also suggested that if this question be referred to the Committee on Resolutions, it would not be necessary to appoint

a new committee, but to refer it to the Resolutions Committee, or a committee of five should work out some sort of a plan.

MR. BOOTHE: I would say that this matter is now under consideration by the Resolutions Committee. I would also request that anyone having resolutions, should present them before the closing of this meeting.

THE CHAIRMAN: Are there any further resolutions to go before the Resolutions Committee?

MR. WALLIS: I suggested, in my address yesterday, that we might possibly agree upon the recommendation on the monetary situation, concurring with the action of the bankers on legislation.

THE CHAIRMAN: I think it would be better for you to put that in the form of a resolution, or request to the Committee, and let it go right directly to them.

MR. WALLIS: My only thought was that possibly we might now discuss it informally for the benefit of the Resolutions Committee.

On motion, duly seconded, the meeting adjourned until Wednesday, December 13, 1911, at the hour of 10:30 o'clock a. m.

## FIFTH SESSION.

WEDNESDAY, DECEMBER 13, 1911.

10:30 o'clock A. M.

THE CHAIRMAN: The convention will please come to order. Gentlemen, the first address this morning is by Mr. Frederic A. Delano. Mr. Delano is unable to be with us, and Mr. Nye will read his speech.

MR. JAMES W. NYE (of Illinois): Mr. Chairman and Gentlemen: I know we all regret that Mr. Delano's views upon Transportation will miss the charm of his personality in presenting them. I will endeavor, and hope that in reading them, I may not obscure his mind.

## TRANSPORTATION.

By FREDERIC A. DELANO, President of the Wabash Railroad Co.

As long as 300 years ago, Sir Francis Bacon had pointed out that the sources of wealth of any nation were: First, its productivity, in other words, the productive capacity of its natural resources; Second, the manufacture of raw materials into a form more useful to man; Third, the vecture, or transportation, from the point where they were produced or manufactured to the point where they could be used. This statement may be tabulated for convenient reference, as follows:

## I.

The Creation of Wealth.	{	From the Productive- ness of Natural Re- sources.	{	From Tillage of the Soil.
			{	From Mines and Quar- ries.
			{	From Forests.
		From the Manufacture or Adaptation of Raw Materials.		
		From the Vecture or Transportation o f. Raw and Manufac- tured Materials.		

This very simple and fundamental statement is worth bearing in mind. No nation can grow rich if it consumes more than it produces, and lavish expenditure—as economists have realized for a long time—is never an index of growing wealth. Some economists, for example, have pointed out that in times of severe stress, following great wars or famines, the increase in the wealth of the nation has been much greater than in so-called “good times.”

Adam Smith, the father of modern political economy, writing 150 years ago, pointed out that the world is divided as between productive and non-productive consumers, showing also how it was necessary in primitive times for every able bodied man and woman to aid in the production of wealth, whereas in the more civilized times only one individual in five, or six or seven, was a producer.

It is my purpose in this paper to deal with Transportation as one of the fundamental means of wealth creation, and to illustrate its growth, its necessity, and its future possibilities.

## II.

### THE NATURE OF TRANSPORTATION SERVICE.

Transportation is a service. It is intangible. Unlike other forms of produced wealth, while it adds to the value of a commodity, it is not an entity which can be stored up or manufactured with regularity and sold at convenience. Transportation, in other words, is a service which can only be sold at the time it is required. In many periods, and for long-continued periods, transportation capacity may be far in excess of the requirements, and yet, it cannot be manufactured if not wanted. The obvious result of this is that while there may be a great over-production of transportation capacity, there never can be an actual over-production of transportation.

## III.

There are three principal forms of transportation service, the importance of which so far exceeds that of all other forms that only they need be considered in a discussion of the question. These are:

- (a) Transportation by Water.
- (b) Transportation by Street or Highway.
- (c) Transportation by Rail.



largest unit possible is decidedly smaller than those which can be most advantageously used in either of the other methods of transportation.

*Transportation by Rail.* We include in this grouping, steam and electric traction on what are universally known as railways. In point of the size of economical units and in flexibility of distribution, rail transportation plainly falls about midway between water and highway transportation. The greatest advances in rail transportation in this and other countries, have come since the adoption of a uniform gauge of track and a uniform type of car construction. The ability to overcome grades, pierce mountain ranges and cross streams, or the facility of reaching the factory, the receiving and shipping platform—have all contributed largely to its rapid development. The English, German and French railways have, to some extent, even greater flexibility than our own; but this is gained at the expense of using much smaller transportation units, the result being a net loss to the community as a whole. Speed and regularity are in favor of railway transportation, and have contributed to the development of high-class business.

*The Size of Units.* If there is one thing proved more certainly than any other (and this applies to all methods of transportation), it is that the largest unit which can be conveniently used is invariably the most economical. Thus, in ocean traffic, the only thing which limits the size of vessels is the depth of water in our great harbors. the ability to maneuver very large vessels in contracted channels, and—last, but not least—a volume of business sufficient to load vessels without excessive delay. In the same way, on our steam railroads the only thing which is limiting the size of cars is the width and height of clearances, the safe maximum wheel loads, and volume of business sufficient to make the loading and unloading of cars possible without too much loss of time.

In passing, it may be said that in Rail transportation there are two units—the car unit and the train unit. In respect to both of these, all progress in the direction of increased efficiency has also been in the direction of constantly enlarged units. Furthermore, the constant increase in the wages of engine and trainmen has acted as an added spur towards the adoption of larger units.

In respect to Street and Highway transportation, it is equally true that each increase in the size of the unit—where conditions favor it—effects an economy. Thus, the two-horse dray has gener-

ally replaced the one-horse cart; the three-horse dray, in turn, has replaced the two-horse wagon; and now the large capacity motor truck bids fair to displace the horse-drawn vehicle—not wholly, but wherever the length of the haul and the volume of the business warrant.

#### IV.

##### THE SEPARATE FUNCTIONS WHICH EACH MEANS OF TRANSPORTATION SHOULD PERFORM.

It is sufficiently apparent from what has gone before, that each method of transportation has its own separate and peculiar field. While these three departments lie adjacent to each other, in the main they are entirely separate and distinct. None of them can usurp the functions or trespass upon the territory of the other to any great extent without entailing an economic loss. It is important that this should be clearly understood, and that neither prejudice nor sentiment should be allowed to sway our judgment or influence action calculated to destroy the resultant benefits of such an understanding. We are dealing wholly with facts, and insofar as it is necessary to form opinions, there are ample facts on which to base them. It is my purpose to point out the respective fields which these methods of transportation must properly fill, and, judging from the history of the past, to formulate the limitations which may fairly be said to circumscribe them.

#### IV-A.

*Beginning With Water Transportation.* It is quite obvious that this must be divided under three general headings:

Ocean Transportation.

Lake Transportation.

River or Canal Transportation.

As pointed out in a report made by the Chief of Engineers of the United States, the cost per ton of lading capacity for a vessel in ocean service, is approximately \$71.00. Measured in a similar way, the cost per ton of lading capacity for a lake vessel is \$41.50; and the cost per ton of lading capacity for a canal or river vessel, \$12.00. Because interest on the investment and Marine Insurance form an important item in the cost of transportation, and, therefore, in the rates charged, it is uneconomical to employ an ocean-going

craft in Lake or in River navigation, or to employ a Lake vessel in River or Canal navigation. The larger the unit, the greater its disability for the economical distribution of freight. Thus, ocean-going craft discharge their cargoes at New York, although many of them could safely navigate the Hudson and distribute their cargoes. Lake boats of the older and smaller types coming into the Chicago River used to call at various docks to receive and distribute their loads. The larger the unit, the less advantageous does this become, and in connection with modern lake vessels, we see lighters employed to collect and distribute the cargo.

The cost of water transportation is not generally known. A considerable share of it is borne out of general taxes in the form of governmental expenditures for the maintenance of Harbors, Dock facilities, River improvement work, Lighthouse service, Life-saving Stations, the exemption of taxes on vessel tonnage, Ship Subsidies, etc. So far as natural waterways are used, especially where the maintenance and improvement expense is small, as compared with the tonnage, the cost is very low.

The economy resulting from the use of large units is particularly great in the handling of heavy and bulky commodities moving in large quantities. Thus, coal, iron ore, grain, barrelled freights, baled freight, such as cotton, wool and cloth—can all be handled with modern machinery at a minimum of expense at points where special machinery or facilities for such handling exist. But where the lack of such facilities or the character of the freight call for a great deal of manual labor, the economy of water transportation may be readily absorbed or even overbalanced by the expense of handling on and off the vessel, and the more expensive but more flexible rail transportation becomes more advantageous.

Occasionally, we read a wonderful tale of the economy of water transportation. Thus, we are told of a string of coal barges towed with the current down the Ohio and Mississippi rivers from the coal fields in Pennsylvania to the market in New Orleans. The bare cost of such transportation is a mere nothing. It is as if we should compare the cost of moving a 5,000 or 7,000-ton train down grade from the mines to tidewater, as has been done in special cases, with the average cost of operating the railroad. The expense of bringing back the boats up the stream is as much an element of the cost of the service rendered as the return of the cars is on the railway.



The cost of service the year round, under unfavorable as well as favorable conditions, must be taken into consideration in determining the average cost of any form of transportation.

On a railway, the maintenance of the roadbed and equipment and the general expenses of administration, absorb 65% of the costs of operation; only 35% (represented by Transportation Expenses) are required to pay for the actual movement of the trains. In Water transportation, as already pointed out, by far the largest portion of the Maintenance Expense is paid for out of public funds. Even the interest on the public moneys invested in the waterway improvements is borne by the whole people, and is not generally considered as a part of the cost of Water transportation. Only a careful study of all the facts and the proper consideration of all the elements of ultimate cost can determine whether inland transportation by Water or Rail is in reality the cheaper.

In many cases, however, there is no choice. Our Trans-ocean traffic can be moved only by vessel, and our Transcontinental traffic can be moved only by rail. In the case of Coastwise business, there is a choice, and the advantages of water transportation for the heavy and bulky freights, not requiring costly distribution, are at once apparent. Where Rail transportation gains the advantage, it is wholly by reason of its smaller units and its greater flexibility of distribution.

When it comes to interior transportation, there is obviously an opportunity for a difference of opinion. Here the honest, dispassionate citizen, the true statesman, the intelligent engineer—demand the fullest information. They want all the facts, and they want them stated without partiality or bias.

It is necessary to the life of the business that in the case of Rail transportation, the carrier should include in his rates the cost of transportation, a fair allowance for the up-keep of his property, taxes, insurance, and a reasonable profit on the money invested in the undertaking; but in Water transportation, many of these expenses are borne as a public charge. In the case of artificial waterways, interest on the first cost alone, when divided by the tonnage handled, amounts to a very substantial figure. The disregarding of this element of cost in some cases is justifiable; in other cases, not. No general rule can be laid down.

There is always danger in letting such questions be settled by sentimental or prejudiced considerations. Thus, the writer heard a leader in Congress and the Governor of one of our greatest states say that the expenditures of public funds in enormous amounts on the improvement of great rivers was justified, even though not one ton of freight availed itself of the facilities created. This is the most common and probably the most effective argument in favor of internal waterway development, but is this good sense? Is it good economics? Let us not lose our heads in the discussion of questions of such grave economic importance, but give thoughtful consideration to the actual facts as they really exist and as they affect the good of the whole people.

That railway managements, like other commercial undertakings, realize the force of the principle that "half a loaf is better than no bread," goes without saying. It is no argument against a railway corporation that rates in territory parallel to or competing with water transportation are lower than those where such competition does not exist. It would be equally true if the government undertook the manufacture or sale of any commodity without profit or at less than cost, it would break the price of that commodity; and it is equally true that the manufacturer or merchant who, by reason of government competition had to sacrifice a large share of his profit on the sale of some commodities, would be compelled to average up by making a larger profit on the remainder of his business.

Many waterway improvements are justifiable. The moderate deepening of a large river system, so as to give river barges their greatest range of operation, is decidedly desirable. The Mississippi river and its tributaries can be made available for a standard type of craft, say 1,500-ton barges having a draught of from 3 to 6 feet, and serve thereby a mileage of 16,630 miles. The question of the best available depth, size of boat, etc., is like the question of the gauges on the railways. Over 50 gauges have been tried, but the old English wagon gauge of 4'8½", first adopted by Stephenson, has become well nigh universal. Much of the business of the country could be done more economically on a six-foot gauge, or even on the seven-foot gauge recommended by the far-seeing Brunel, the engineer of the Great Western Railway of England, and the builder of the "Great Eastern," but the advantage of a uniform standard over an entire continent outweighs the special advantages of a locality.

## IV-B.

*In the Case of Railway Transportation*, it is obvious that its field is more restricted where it comes in direct competition with water transportation than where it has the field to itself.

In the United States, more than in any other country, wholesale and long distance rates have been made with the idea of developing business. This is instanced by our Commodity rates, our Transit and Fabrication rates, and our low carload rates, as compared with L. C. L. rates.

Sometimes it is argued that railways have gone too far; and, doubtless, they have gone farther than a *benevolent despot* would have gone had he considered the benefit of the community as a whole and the railways as a whole. Each railway fought for its own territory.

Railways, more than any other form of transportation, have broken down distance. They have put the distant producing center practically on a parity with that near-by. In doing this, they have broken down monopoly, and have fostered competition. A man's dinner table is supplied with food from a range of easily 500 to 3,000 miles, and he is scarcely aware of it. There is not a large city that could exist a week without transportation, so dependent have we become upon distant sources of production.

An important feature of railway transportation which is not a characteristic of any other form of transportation is that it is solely and exclusively a public service, regulated by public authority in all countries where the railways are not actually owned as well as managed by the government. In other words, carriage—or "venture," as Bacon called it—by rail is only by a "common carrier," whereas a very large part of the carriage by water and highway is not by the "common carrier," but by the private carrier, the "chartered carrier," the owner of the freight. The Interstate Commerce Commission of the United States takes very serious exception (and properly so, I think) if the carrier has an ownership or an interest in the freight he transports, and yet in the case of both water and highway transportation, that condition of affairs is the rule, rather than the exception.

The cost of rail transportation is often quoted at something over seven mills per ton mile. This oft quoted, but misleading figure, represents the average rate over the entire railway mileage

of the country—over 240,000 miles. It is a rate arrived at regardless of commodity, distance hauled, service rendered, etc.; a sort of higgledy-piggledy averaging of oranges, apples, metals, turnips and coal.

To compare Rail rates with Water or Highway rates, it is important to compare rates for similar distances and on similar commodities, and to add in the case of Water rates, the money expended from public funds. The terminal expenses are important in any case, and it makes a good deal of difference whether they are spread over a distance of 100 or of 1,000 miles. Obviously, the carriage of heavy bulk freights by water can not be compared with the carriage of high-class commodities over mountain ranges. The character of the service must be taken into consideration.

The force necessary to pull a given load on a railway track has been accurately determined. Similar information with respect to the movement of canal boats and sea-going vessels has been worked out, but the data regarding it are less available and complete. In a general way, it may be stated that in the case of Rail transportation, the power required to overcome the resistance increases moderately as the speed increases, whereas, in the case of the vessel moving through water, the power necessary to overcome the resistance increases rapidly with each increment of speed.

While it appears that the power necessary to move a given load through slack water is less than that required to move a similar load, mounted on wheels, on a smooth and level track, this fact applies only to loads moving at speeds of less than four miles per hour. At speeds above four miles per hour, Rail transportation gains rapidly in economy of power required, in comparison with Water transportation. This does not mean that Water transportation must necessarily be limited to speeds as low as four miles per hour any more than it means that the speed of railroad trains must necessarily be limited to their most economical limit (approximately ten miles per hour), but it does illustrate the limitations of the different modes of transportation and the field properly occupied by each.

#### IV-C.

*Highway or Street Transportation.* This is the oldest form of transportation, yet the one which today has received the least public consideration as an economic question. Perhaps this is because it

is so much a public question that "What is everybody's business, is nobody's business." To me, it appears evident that as the cost of gathering and distributing the freight to and from the railway is frequently quite as much as the railway freight charge (and, in the aggregate, the total is probably greater), it must follow that a reduction of this cost is just as important and far-reaching as a reduction in freight rates.

Here is a subject which, scientifically, is in its infancy; little or no data are to be found, at least in this country, on the subject of the cost of drayage, and the wages in this country are so much higher than in Europe, that European experience is of little value. However, we do realize that better roads and large units will produce some marked economies; and yet, in this great State of Illinois, the question of highway improvement is still, to all appearances, considered to be of very minor importance. To my mind, no more important work awaits the men of this organization than the study of the question of highway and street transportation, to determine the part it plays in the cost of our food and clothing; in short, of our cost of living. Much attention has been paid to railway and water transportation; very little to highway and street transportation; yet it can be shown that in many cases the latter is quite as much a public question as the former.

*Conclusion.* The question of the cost of transportation to the public must be studied in its entirety in order to reach any sound conclusion as to its effect upon the community as a whole. It is not sufficient to analyze only one branch of the subject and disregard the others. The co-relation of the various methods must be thoroughly understood in order to secure from each of them the greatest benefits which it is capable of conferring. (Applause.)

THE CHAIRMAN: Gentlemen, this address is now open for discussion, but we have so much before us this morning we must get the work off our hands in order to give the Resolutions Committee an opportunity this afternoon, so the Chair will have to limit the debate, whatever there is, to five minutes. Is there anyone who would like to speak in relation to this address? If so, the opportunity is now here.

The Department of State, at Washington, has honored this Congress by sending as its representative a leading official whose achievements for the advancement of our foreign trade are a matter of gen-

eral knowledge to American exporters. It is my pleasure to present Honorable John Ball Osborne, Chief of the Bureau of Trade Relations. (Applause.)

## **OUR REFORMED CONSULAR SERVICE AS AN AGENCY IN AMERICAN TRADE EXPANSION.**

Mr. Chairman, and Gentlemen of the National Business Congress: I highly appreciate and thank you for the honor conferred in inviting me to address the National Business Congress. Secretary Knox has been so kind as to designate me to represent the Department of State in your sessions, and I take pleasure in expressing the Department's sense of appreciation of the importance and helpfulness to the cause of American commercial expansion of meetings of this kind. As you are aware, the Department of State, under the able direction of Secretary Knox, has, in the last few years, taken a more active part in the promotion of our foreign trade than ever before, and hence it is keenly and sympathetically interested in your present discussions. This great trade policy of Secretary Knox has been made possible by the wise liberality of the Congress of the United States in generous appropriations, and it owes no little of its success to that energetic citizen of Chicago, Assistant Secretary Huntington Wilson.

My first intention was to give you a general description of the trade promoting institutions of the National Government; but when I reflected that this Congress is held under the auspices of the National Business League of America, I decided to specialize on some phase in respect to which I might hope to bring at least a little genuine information, for if there is one organization in the country whose members keep thoroughly abreast of the activities of our Government in behalf of foreign commerce it is the National Business League of America. I presume that this intelligent familiarity is largely due to the efficiency of your executive officers, but it is surely due in some measure to the spirit of indomitable energy and unceasing progress that animates the great industrial forces of Chicago and the entire Middle West.

### **INTEREST OF BUSINESS PUBLIC IN THE SERVICE.**

I have taken as the subject of my remarks today, "Our Reformed Consular Service as an Agency in American Trade Expansion."

sion," which topic will give me an excuse to talk shop, as well as to contrast present conditions with those that existed when I was a Consul twenty-odd years ago. With the single exception of the postal service, there is no branch of the National Government in whose efficiency the trade interests of the country are more deeply concerned than in that of the Consular Service. This concern, however, has not always been manifest, and it is only in recent years that our manufacturers and exporters have come to realize the potential usefulness to them of this governmental agency, with the result that now each year it is utilized to greater advantage by an increasing number of business concerns. I shall presently offer a few suggestions as to how you may best avail yourselves of the excellent facilities now offered by the Consular Service.

#### CONDITIONS UNDER THE SPOILS SYSTEM.

In order to fully appreciate the value of the reorganized service to the business interests of the United States, it is well to recall the conditions that existed prior to 1906. Consulships have always possessed a peculiar fascination to office-seekers and, under the old system, they were filled by all sorts and conditions of men, ranging from distinguished litterateurs, military men and retired statesmen to ward politicians, bankrupt business men, professional failures, individuals in quest of a genial climate, and adventurers of various kinds. While there was always a respectable leaven of educated, capable, and worthy consuls, there were many totally unfit for the office, which has always been one of responsibility and dignity, calling for the highest type of American citizenship.

For good and bad alike, the supreme test in making appointments was the strength of the candidate's political influence. No education or training was required, and the so-called instruction period of thirty days meant nothing. When the average consul arrived at his post he found that there was actually no opportunity for advancement as a reward for faithful work, and, seeing no probability of retention beyond four years, many set out to systematically exploit the office financially. The salaries were, as a rule, so inadequate as to make the notarial fees essential for a decent living, and there being no inspection system many abuses grew up.

But perhaps the worst feature of the old service was the notorious insecurity of tenure for good and bad alike. A clean sweep

at each change of the party in power was the rule, while every new administration of the same party involved some removals. At every such clean sweep a set of fairly experienced men gave way to a hastily selected set of new men, to the serious detriment of both the service and the business interests of this country. During the first year of his administration President Harrison made changes in most of the consulships considered worth having. During the first year of President Cleveland's administration the clean sweep came into full operation. Within a period of less than ten months thirty out of a total of thirty-five consuls-general and 133 out of a total of 183 consuls of the first class, besides the great majority of the minor consuls, were superseded and their places filled by hastily selected Democrats. A similar course was followed by President McKinley. During the period from March 4, 1897, to November 1, 1898, the changes in all grades above and including consulships at \$1,000 aggregated 238 out of a total of 272 officers. At the close of each of the administrations mentioned only a handful of representatives of the minority party survived in office.

#### REORGANIZATION ACT OF 1906.

Fortunately the era of the clean sweep has gone forever. Since 1906 the Consular Service has been thoroughly reorganized and placed upon a strictly non-partisan merit basis. The changes effected are so recent and the National Business League of America contributed so much to bringing them about that it is unnecessary to describe them in detail. You will recall that the Reorganization Act of April 5, 1906, reformed the system along structural lines. It regraded all consuls-general and consuls and readjusted their salaries on an equitable basis; provided a system of regular inspection of consular offices by a corps of consuls-general at large appointed from the service; Americanized the service by requiring not only the consuls, but their clerks, excepting those with salaries lower than \$1,000, to be American citizens; extended the prohibition to engage in trade to all consular officers with salaries exceeding \$1,000, and made the salaries of all consuls-general and consuls their sole compensation of office by declaring all fees, including notariats, official and the property of the Government. Each of these legislative changes represented the correction of a specific weakness in the old system.



You will also recall that this Reorganization Act failed to go as far as its framers—Secretary Root and Senator Lodge—intended and provided in the bill as introduced, which had contained important provisions for the examination of candidates for admission to the service by a specified board of examiners, the definition of required subjects of examination, the limitation of original appointments to the two lowest grades, and the filling of vacancies arising in the upper grades by promotion from the lower grades as a reward for ability and efficiency shown in the service. While these meritorious features were dropped from the bill before its enactment, they were promptly put into operation by the Executive Order of June 27, 1906, and have ever since been carried out strictly and conscientiously by the Department.

#### REFORMS BY EXECUTIVE ACTION.

The reorganized service now comprises 57 consuls-general and 241 consuls, or a total of 298 principal officers, of whom 60 are consuls in class 8 at \$2,500, and 45 consuls in class 9 at \$2,000, the two lowest grades to which original appointments are confined. The examinations are both oral and written, the two counting equally. The object of the oral examination is to discover the candidate's business ability, alertness, character, address, general education, and natural fitness for the service. The written examination covers eight required subjects, namely: a modern language; natural, industrial and commercial resources of the United States; political economy; international, maritime and commercial law; American history, government and institutions; political and commercial geography; arithmetic, and modern history of Europe, South America and the Far East. Candidates are required to obtain a general rating of 80 on a scale of 100 in order to be eligible for certification. They must have been specially designated by the President for appointment to the Consular Service, subject to examination. They must be between the ages of 21 and 50 years; citizens of the United States; of good character and habits; and physically and mentally qualified for the proper performance of consular work. The rule of proportional representation of all the states and territories in the Consular Service is faithfully followed.

### CONSULAR EXAMINATIONS SINCE 1906.

Under the new system there have been 14 examinations held since 1906 for consuls, consular assistants and student interpreters. The number of men examined was 388, of whom 174, or 45 per cent, received the required passing mark. Of these successful candidates 133 received appointments—74 as consuls and the remainder as consular assistants and student interpreters. The number of consuls appointed after examination since 1906 constitutes 25 per cent of the principal consular officers. It is an interesting fact that the statistics of these examinations demonstrate completely the bonafides of the system. That the examinations were stringent is proved by the fact that 55 per cent of those examined failed and were rejected. That appointments were made on a strictly non-partisan basis is proved by the fact that of the 74 consuls 36 were from Northern states and 38 from Southern states. The Executive Order of 1906 prescribes that neither in the designation for examination or certification or appointment will the political affiliations of the candidate be considered. Hence, information respecting this matter is unknown to the Department of State. Another fact which shows the equitable proportional representation of consular officers among the states and territories is that of the 74 consuls referred to 48 are from states east of the Mississippi and 26 from states and territories west of that river. This is in reasonable proportion with the distribution of population, according to the census of 1910, 70 per cent of our population lying to the east and 30 per cent to the west of the Mississippi. It may also be added that the 133 persons appointed to consular offices as the result of these examinations represented 39 states and territories of the Union.

### THE NEW TYPE OF CONSUL.

Just a word as to the educational equipment of the new type of consul. In the earliest examinations under the new régime it was noted that the typical candidate was much the same as under the old system; but there has been a change for the better, and to-day the men designated to take these examinations represent a very high type. This is because the difficult character of the examinations has become well known and Senators endeavor to recommend for designation only those likely to acquit themselves creditably.

While the possession of a degree is not required, as in the case of France for admission to the Foreign Service, it will be perceived that the scope of the examination eliminates men of deficient education. The examination is one that calls for a liberal education, and about 75 per cent of those who have passed have enjoyed at least some college experience, most of them holding degrees. This, however does not bar the young man who gives himself, without instruction, the substantial equivalent of a college education.

It may be suggested that previous business training and experience should be a prerequisite for consular appointment. While we all recognize the immense value of business experience, we would not wish to see the service filled up with business inefficients and bankrupts. The great difficulty is to induce any successful business man to surrender the financial potentialities of the business world for the consular salaries in the entrance grades. Fortunately, however, all the universities and colleges of the country are making their courses of study more practical than formerly, and hence the old idea that a college training was valueless for a business career is no longer generally held in the business world. Here in the Middle West, where you have such excellent state-aided universities as Illinois and Wisconsin, and generously endowed institutions like Chicago, with their thousands of students in attendance, this proposition requires no argument. The typical graduate of these institutions is splendid material for the making of a good consul.

#### CONSULAR EFFICIENCY RECORDS.

There is still another feature of the reorganized system that should be borne in mind. This is the permanent efficiency record of all consular officers kept in the Department of State and made up from all sources of information available to the Department. One of the most important elements of this record is the character of the consuls' reports upon the trade relations of the United States. This record is consulted by the Secretary of State and brought to the attention of the President in determining questions as to retention in office, transfers, and promotions. It furnishes the strongest possible incentive to all consular officers to render meritorious and valuable service to the business interests of the United States.

### THE CONSULAR SCHOOL IN THE STATE DEPARTMENT.

Under the present system the instruction period of thirty days allowed by law to newly appointed consuls has been galvanized into genuine usefulness by the Department of State. During this period consuls are required to follow systematic instruction under official guidance. Every day and almost every hour is taken up in studying the consular regulations or listening to addresses by bureau chiefs of the Department of State or other branches of the executive departments whose work pertains to consular activities. This instruction work gives the consular officers an intelligent conception of the duties they are about to undertake.

### TRADE CONFERENCES WITH CONSULS ON LEAVE.

Another useful innovation introduced by the Department of State since last August is the plan of trade conferences between consular officers on leave in the United States and the business men of the country. Consuls are required to prepare themselves before going on leave to answer accurately such practical questions as the business men of the United States may desire to ask them and to notify the Department, as far as possible in advance, of the probable dates of their arrival and periods of stay in the principal business centers. This information is transmitted by the State Department to the Department of Commerce and Labor and is published in the "Daily Consular and Trade Reports," in order that business organizations may arrange for trade conferences with the consular officers.

### SCOPE OF COMMERCIAL SERVICES OF CONSULS.

Let us now consider the concrete results of the reformation of the Consular Service so far as the commerce of the United States is concerned. Consular activities in this field may be conveniently divided into three classes: (1) information and advice furnished by the consular officer within his district, either at the consulate or elsewhere; (2) information and advice furnished by the consular officer in correspondence in response to inquiries from the American business public; (3) reports to the Department of State on commercial and industrial conditions in foreign countries and openings for American trade development.

### (1) IN THE CONSULAR DISTRICT.

Consular officers are expected to cultivate friendly relations with the merchants and importers of their districts, as well as with the commercial authorities of the place, so that they may keep in close touch with the market conditions and opportunities for the introduction of American goods, and so that when trade information is desired it may be more readily obtained. To this end consuls sometimes join the local chamber of commerce and attend regularly its meetings. They often inform the local business public, sometimes through the medium of the press, that the consulate is ready to answer inquiries in regard to American products. Some consuls, where their other duties do not conflict, make a practice of visiting local business houses in order to discuss conditions relating to trade with the United States and to endeavor to impress the importers with the superiority of American goods.

All consular officers are required to keep on file the catalogs and other trade literature sent to them by American manufacturers and exporters with a request to that effect. When requested to do so by the senders, most consuls cheerfully transmit catalogs and circulars to local firms which are likely to be interested in the contents. The best regulated offices in the service keep the catalogs on file, arranged and indexed so as to be readily accessible in case of local inquiries.

Nearly all the leading trade journals of the United States are furnished gratuitously to the consular offices throughout the world and are kept on file in a place in the consulate set aside for the purpose. Frequently consuls when buying goods make a point of asking for American-made articles and speaking of their superiority, good qualities, etc.

All consuls are expected to afford proper assistance by advice and information to American salesmen, putting them into touch with local buyers whenever possible. As regards samples of American goods received by the consular officers, some consuls make a practice of handing these samples to firms known to be interested in the particular line of goods. Countless instances of the establishment in foreign countries of agencies for American products through the endeavors of consular officers have been brought to the attention of the Department.

The following statement was recently made by an American consul in the Far East in respect to the steps taken by him toward the extension of American trade in his consular district:

"I have made careful inquiries into possibilities of American trade and have informed the exporters in the United States accordingly.

"I have personally induced local importers to carry American goods by supplying them with samples and explaining the merits of the American product.

"I have also placed American catalogs and trade publications with the leading importers, supplying them with general information from time to time calculated to promote American trade at this port.

"I have furnished a commercial exhibit room at this consulate, placing trade literature and samples there, and informed the local chamber of commerce of this fact, inviting its members to avail themselves of its advantages and explaining that an interpreter is detailed to explain such features as may interest them most.

"I have supplied the local chamber of commerce with copies of American trade publications.

"I have reported to the Department of State from time to time with regard to the commercial situation at this port and opportunities for American trade in this district.

"I have discovered various imitations of American trade marks with a view to preventing the same."

## (2) CONSULAR TRADE CORRESPONDENCE.

One significant measure of the increased usefulness of the new consular service is the growth in volume of trade correspondence between consular officers and inquirers in the United States, most of which passes through the Bureau of Trade Relations of the Department of State. In the calendar year 1910, about 14,000 such letters from the consuls passed through the bureau mentioned, while in the past eleven months of the present calendar year, the number has closely approximated 16,000. They dealt with every phase of our trade relations and, being answers to practical questions of practical business men, they contained valuable information, much of which was made available to others interested in the subject through data furnished by the Bureau of Trade Relations to the Bureau of Manufactures of the Department of Commerce and Labor, the

identity of the American inquirers being, of course, kept confidential. This system has given the maximum of commercial utility to this branch of consular work.

In general, it may be said that consular officers are expected to answer concisely, promptly and accurately, requests for legitimate business information, so far as practicable and consistent with the discharge of other duties imposed upon them by law. They are expected, therefore, to give advice and counsel to American firms who are endeavoring to build up a foreign trade, and they frequently direct attention to defective methods pursued and suggest remedies. They give careful attention to requests from American concerns for names of local firms in good standing or with special facilities for doing commission business.

### (3) COMMERCIAL REPORTS TO THE DEPARTMENT OF STATE

Another striking evidence of the improvement in the consular service is the growth in the consular trade reports and a general improvement in their quality. The number of these reports handled annually by the Department, has increased from about 4,000 in the fiscal year 1904, to nearly 20,000 in 1911. The latter number, however, includes copies of certain trade letters. The reports proper now average about 10,000 a year.

These trade reports are made partly in answer to instructions of the Department, and partly on the initiative of the consular officers. They are all carefully edited in the Department of State and then transmitted to the Department of Commerce and Labor with a view to their publication in the "Daily Consular and Trade Reports," or their dissemination among selected American manufacturers through the medium of confidential bulletins.

Besides an annual report on the commerce and industries of their respective districts for the calendar year, all consuls are required to answer, with reasonable promptness and after due inquiry, all instructions of the Department of State in relation to trade reports desired for publication or other use. They are urged to keep in touch with the industrial and commercial situation in their respective districts, and to report full and accurate information in regard to these conditions, with special reference to every possible opening for American trade extension. They are expected to offer suggestions of practical value for the increase of the sales of Ameri-

can goods, specifying kinds in demand and methods by which American firms can best place them on the market. Each year they are required to send a complete revised list of the local importers and dealers of their districts for the benefit of American exporters. They are particularly urged to exercise the utmost vigilance to discover and report foreign trade opportunities, such as public tenders for supplies and improvements and private enterprises, care being taken to report only propositions that are represented by responsible persons. In cases of urgency and special importance, they are authorized to report trade information by cable.

#### CONCRETE INSTANCES OF TRADE EXTENSION.

Many concrete instances of American trade extension as the direct result of the commercial activities of our consular officers under the new system have been reported to the Department. On this subject Hon. Wilbur J. Carr, the Director of the Consular Service, who knows accurately more about its activities than anyone else, mentioned, in a recent address, several noteworthy instances where benefits followed from trade information furnished by our consuls, such as the sale of 100 miles of wire fencing, the sale in Siberia of sixteen carloads of machinery by one firm, and of twenty carloads of diversified manufactured products by another firm in various foreign markets, and a contract for a half-million dollar bridge.

In his message to Congress a few days ago, on foreign relations, President Taft referred to the fact that in the last fiscal year, for the first time in our history, the exports of domestic merchandise exceeded the two billion dollar mark, being an increase of 300 million dollars over the figures for the previous year. Another interesting fact is that the present indications are that when the current calendar year is completed, our exports of manufactured goods will have approximately reached, if not surpassed, a valuation for the year of one billion dollars. Manufactures are pre-eminently the subject matter of international commercial competition, for our staple raw materials like cotton, wheat, tobacco, and mineral oil virtually sell themselves. There is no doubt that the present energetic trade policy of the Department of State and the responsive efforts of the consular officers, have contributed materially to the gratifying expansion in our export trade revealed in the statistics mentioned.



**TESTIMONIAL LETTERS FROM MANUFACTURERS.**

It has been a source of gratification to the Department of State to receive letters from more than 100 American firms that have succeeded, through the help of consular officers, in obtaining new or wider markets for their products in foreign countries. Most of these commendatory letters specify concrete instances of American trade extension through the activities of the Department of State, and the consuls. I have thought that it might interest you to hear some literal quotations from these letters, without disclosure of the names of the writers, which are regarded as confidential. All the letters from which I quote, were received by the Department of State in the present year, and relate to actual conditions in the service.

A piano manufacturing company writes as follows:

"We are very glad, indeed, to have the opportunity which your letter of the 1st gives us, to express our appreciation of the really invaluable information given us by the members of the Consular Service with respect to the local conditions in various parts of the world attendant upon the merchandising of pianos and player pianos. Our requests for information have invariably resulted satisfactorily to us, and we have been very much impressed with the efficiency of our Consular Service."

A manufacturing company of Cincinnati, writes:

"We are pleased to report that the Consular Service has been very helpful to us in our efforts to build up a larger foreign clientage. We consider the publication of the "Daily Consular and Trade Reports," one of the best things ever offered to encourage the exporter. Every item of possible interest to us is promptly and persistently followed up, with the result that we have made some very valuable trade connections. We also frequently take occasion to communicate with the consuls direct, many of whom have replied offering information and suggestions from which we have benefited greatly. This very week we have entered orders from two new customers in South America whose names were both furnished by consuls."

Another manufacturing company of the same city, writes:

"Having carried on an export business for a good many years, we take pleasure in stating that we have noticed in the last few years a decided improvement in the American Consular Service."

A manufacturing company of Jersey City, writes:

"We have a feeling that within the past few years the United States has made a great improvement in its consuls; that the consuls are much better equipped as business men."

A manufacturing company of New York City, writes:

"It is a special pleasure to us to congratulate you upon the efficiency of the Consular Service, which in our mind is unequalled and which cannot be too highly appreciated by all American manufacturers working for export, that avail themselves in an intelligent manner of the facilities extended to them by this service and that will heed the indication and information given in the "Daily Consular and Trade Reports" to further the growth of their export business."

An American safe manufacturer writes:

"We beg to state that the results obtained thus far have been quite satisfactory, and the service rendered by the consuls at the different posts in foreign countries, has proved of inestimable value to the development of our export trade."

A firm of New York City writes:

"We can answer this question unqualifiedly, that we have derived a very considerable benefit from such reports, and that we find our consuls, as a rule, are not only able but very willing to extend to us responses to requests for information which we make either direct or through the Department of State.

"We have during the last few years, seen a continuous improvement in such service which doubtless implies that the government is very materially improving such service, and we feel that the people of the United States, as a whole, and the manufacturers particularly, should be gratified over such improvements."

A manufacturing concern in Massachusetts, writes:

"An immense majority of the reports indicate very clearly that the consular officer made a careful investigation of the facts before making his report. The accuracy of the reported facts, and the conclusions reached have been later confirmed in several instances, and in no case have we discovered that the information furnished was inaccurate."

A Hartford concern writes:

"We beg to advise that we appreciate most thoroughly the work the American consuls have been doing for us throughout the world, which has been most valuable."

The manager of an Indiana manufacturing company, writes :

"I desire to emphasize the fact that I have been in the export business for years and I have had the opportunity of coming in contact with consulates in all corners of the globe, and that I found that the personnel of the consular corps has been brought up to the standard which assures the American manufacturers of assistance second to none. I know full well that no one can build up an export trade in a day or in a year, but only by persistent hammering. I could name a few consuls who have gone out of their way to assist me many a time. I have asked questions which they were not obliged to answer, but I must say that I always found them ready to do their utmost to further American trade.

"I have made a close study of the export business and can only say that the American manufacturer who gets in touch with our consuls has no cause to fear that other people will get better assistance from their representatives abroad than Americans do. Indeed, many a time Englishmen and even Germans have told me that our consuls did wonderful yeoman service for our business houses, and that no matter what they tried, other nations could not get their consuls to give equally satisfactory assistance."

A Chicago firm writes :

"We are much pleased with the courtesies and aid given us in advancing the sale of our products in foreign markets, and we are greatly pleased to add we have obtained concrete results through the medium and assistance from your Consular Service, and look forward to a still increasing business."

A Michigan firm writes :

"We have not hesitated in the least to call upon the American consuls for help and they have not only responded in all cases promptly and in a business-like way, but they all seem to show a great interest in the promotion of the sale of American-made goods in foreign countries. We can not say too much for the service we have received."

A Detroit firm writes :

"We peruse these trade reports every day very carefully, as we have thousands of times found information in them that has led to large sales. In fact, in one instance, we were given through these reports, the name of an agent who came here to the United States to see our plant and investigate our products, who has since purchased twenty thousand dollars' worth of motor boats."

A New Jersey firm writes :

"From quite a number of American consuls we have received valuable information as well as inquiries that have led to business, and we believe the Consular Service will prove to be a valuable help to the American manufacturer seeking to extend his foreign commerce."

A Cincinnati firm writes :

"We have used this service considerably, and have found it most excellent and constantly improving. The letters we have had from American consuls all over the world within the past two years, have given us very complete and reliable information in answers to our inquiries, and we find this service most valuable to us."

A Minnesota firm writes :

"Speaking from the standpoint of the manufacturer, we consider the consular service one of our most available assets in the development of foreign trade. It is through their offices that we learn the possible markets for our product; it is through them, in most part, that we obtain the names of our possible customers; and it is through the high personnel of this service that we have found the trade abroad inspired with confidence in American goods.

"While millions of dollars are spent annually in exploiting foreign fields through the channels of advertising, we have found the most effective results in the assistance rendered by our consular offices.

"It is the one force today that, properly strengthened, is capable of opening the markets of the world to American goods in preference to the cheaper products of competitive nations, and in working out reciprocal tariff treaties with the countries of all America."

A Massachusetts firm writes :

"We would say that the service is of much material benefit to exporters who depend entirely upon correspondence to make business connections. In the case of traveling representatives, we would consider that the consuls would be of far greater assistance in securing good connections, by profitable introductions to the leading merchants and business men of their stations."

A Cincinnati firm writes :

"In general, the writer believes from personal experience with very many of our consuls abroad that the personnel of our consular organization is now superior to that of any other country in the

world from a business standpoint; in fact, he knows that German importers in South America have asked that their own service be brought up to the standard of ours, and one has only to pick up any British export trade publication to find complaints from British importers abroad as to the relative efficiency of their own and American consuls."

A great American publishing house writes:

"We are delighted to have the opportunity to say to you that a representative from our house, who recently made a trip around South America, stopping at the principal cities, met without exception, with most courteous treatment and with valuable assistance every time he called upon a consular representative of the United States."

An important manufacturing company in New York City, writes: .

"All we can say is, that all our requests to various consuls have received the most careful attention and we want to tender our congratulations to the department in maintaining such an efficient force of clear-sighted men.

"We deem it a privilege to be able to acknowledge in this way our gratitude for services we would otherwise be unable in any way to obtain."

#### HOW TO UTILIZE THE SERVICE.

It has occurred to me that you would probably like to have some specific suggestions as to the best way for you as manufacturers and exporters to make use of the improved machinery of the Department of State and the consular service for the promotion of your foreign trade. I will endeavor to make them as concise as possible.

(1) If your firm is not already on the mailing list for receipt of the "Daily Consular and Trade Reports," I suggest that you write at once to the Secretary of Commerce and Labor, requesting that your name be so listed in view of your practical interest in foreign trade conditions.

It should be the business of some one in your concern to regularly read over each number of this useful publication as soon as it arrives, with special reference to consular reports published therein on the subjects and markets in which you are interested and the foreign trade opportunities listed in that department of the publication. It might also be of advantage to you to take note of the

expected visits to your community of American consular officers on leave.

(2) If you desire specific information in relation to commercial or industrial conditions in foreign countries, I suggest that you write either to the Department of State or the Department of Commerce and Labor, requesting that you be furnished with printed copies of such consular reports or other data as are available on the subject. If the information is not already in the possession of the Government, your request will probably be made the subject of an instruction from the Department of State to one or more consular officers. When the replies are received, a complete set of the reports will be transmitted to the Department of Commerce and Labor for possible publication, and you will be furnished with copies.

(3) If you desire any specific information in relation to your own trade in a particular country, in respect to which the information on file would, in all probability, fail to be completely responsive, the best and quickest way is for you to write direct to the American consul in the appropriate district. Assuming that it is a legitimate inquiry, the consul will at once investigate the matter and send his reply to you through the Department of State, by which it will be transmitted to you without delay; or, inspired by your letter and perhaps other inquiries along the same lines, the consul may, at his option, make a report to the Department of State for publication by the Department of Commerce and Labor and for transmission to you as one of the inquirers.

(4) If you are not in possession of an accurate list of American consular officers I suggest that you write for the same to the Department of State, which has for distribution a mailing list of these officers.

(5) In your correspondence with American consular officers you should bear in mind that their duties are multifarious and often extremely difficult. When disturbed political conditions prevail in the country it is usually impossible for the consul to give prompt attention to inquiries about trade, for the protection of the personal and property rights of American citizens must take precedence. Before complaining of the neglect of a consul in replying to your request for information you should make due allowance for mail

delays and a reasonable margin for inquiry, and perhaps correspondence, by the consul in his district. You should also be careful to prepay in full the proper postage on your own letters to the consul; but his reply will come to you through the Department of State without any cost whatsoever to you.

I would also remind you that consular officers must not be regarded as spies to ferret out foreign trade secrets or as commercial travelers to peddle samples or distribute trade literature indiscriminately. Nothing so unreasonable should be asked of officers who are expected at all times to uphold the dignity of our Government and retain the respect of the foreign community. Furthermore, as you are all doubtless aware, the consular officers are not permitted to report to private inquirers concerning the financial standing or commercial repute of business men or houses in their districts, although they may refer such inquirers to banks or other business agencies; or they may quote the ratings of local business agencies.

(6) If you are not already in possession of the volume known as the "World Trade Directory," published in 1911 by the Department of Commerce and Labor and containing the names of many thousand dealers and importers in foreign countries, classified by industries and products, I suggest that you make application to the public printer at Washington for this document, which is sold at \$5 a copy.

I understand that this useful publication is the result of the recommendations of the National Business League of America.

(7) While it is not practicable for American manufacturers of all lines to send abroad American salesmen or even to maintain foreign agencies, whenever this is done I suggest that you advise the appropriate consular officer of the fact, in order that he may extend such aid to your representative as is possible and proper. Whenever you send out an American salesman you should give him binding instructions to call at every American consular office in his territory. Our consuls frequently complain that American salesmen fail to visit the consulate. The consul stands ready to assist every properly accredited American salesman by advice and information, and some have expressed the willingness to introduce them by letter or personally to managers of local jobbing or commission houses in good standing.

(8) Lastly, if you desire general information in respect to a proposed trade policy or conditions applicable to particular regions before embarking in export trade or enlarging the scope of your present operations, and the matter would seem to require extended consideration, I suggest that you go to Washington and visit the Department of State for personal conferences either in the Bureau of Trade Relations, which is now well equipped for this purpose, or in one of the several politico-geographic divisions which a wise foresight has provided in the departmental expansion that took place about two years ago.

#### **MERIT SYSTEM IN THE DIPLOMATIC SERVICE.**

In view of the co-ordination of the Diplomatic and Consular Services for the promotion of our foreign trade I should like to make brief mention of the extension to the former service in all grades up to chief of mission of the essential principles of the Executive Order covering the Consular Service. By an Executive Order issued by President Taft on November 26, 1909, the examination, appointment and promotion of secretaries of embassy and legation in the diplomatic service were carefully regulated on virtually the same merit basis as applies to the Consular Service. Since the date of that order there have been three examinations held wherein 64 men were examined; 26 passed successfully and 24 received appointments as secretaries of embassy or legation, of whom 17 were from the Northern States and 7 from the Southern States. Although invitations were extended to the young men of the South through members of Congress and the heads of educational institutions comparatively few candidates have come forward from that part of the country.

During the last two years the Department of State has so administered the Diplomatic Service as to make it an effective agency in the promotion of the foreign trade of the United States. From authoritative statements made to the Department it appears that American citizens engaged in commercial and financial enterprises in foreign countries have received advantages valued at no less than \$120,000,000 as a direct result of the practical activities of this branch of our foreign service.



**CONSULAR SERVICE ALMOST SELF-SUPPORTING.**

It will interest you as business men to know that notwithstanding the substantial upward revision of consular salaries the Consular Service is nearly self-supporting. Its entire cost in the fiscal year ended June 30, 1911, was \$1,954,000; and the revenues to the treasury in consular fees amounted to \$1,712,000, leaving a net cost to our Government of only \$242,000.

**LEGAL BASIS FOR MERIT SYSTEM NEEDED.**

In conclusion, I desire to say a few words respecting the culminating step in the reorganization of the Consular and Diplomatic Services. It is most desirable that the important constructive work accomplished by the President and the Secretary of State with so much care and impartial fairness to the people of all political parties and sections of the country should not be impaired or even menaced by any situation that might arise in the future. The present system established for the two branches of our foreign service by the Executive Orders of June 27, 1906, and November 26, 1909, should, therefore, be placed upon a permanent legislative footing, so that, as at present, the qualifications of candidates for appointment shall be determined by impartial examination, regardless of any political affiliations; that all original appointments shall be made only to the lower grades, and that promotion in the service shall be based only upon efficiency and ability shown in the service.

**THE LOWDEN BILL.**

The business sentiment of the entire country has crystallized clearly and emphatically in favor of the perpetuation of the present system, and this can be accomplished only by the enactment by Congress of a law for this purpose. Several bills to this end have been introduced in Congress, notably the Cullom-Sterling Bill, which has received the support of chambers of commerce generally, and the Lowden Bill. While the former bill would certainly perpetuate the existing system, the sentiment in Congress is that it is unconstitutional and hence the Department of State believes that it is futile to urge its passage. On the other hand, the bill introduced during the last session by Representative Lowden of Illinois and favorably reported by the Committee on Foreign Affairs presents no such objec-

tion, and yet it would accomplish all that can reasonably be expected. The Honorable Huntington Wilson has well said of this bill in a recent address:

“It perpetuates the diplomatic, consular and departmental examination; makes mandatory the keeping of impartial efficiency records in all three branches of the foreign service; it makes mandatory the report of the Secretary of State to the President of all these data. It stops there, leaving a President free to make appointments, but to make them under the moral pressure of having before him all the data showing who has, through impartial examinations and through the keeping of the efficiency records, been found fit for appointment or promotion, and having that all before him as the result of and with the sanction of a law of Congress. Every one interested in the foreign service who is familiar with it feels that that bill is an ideal bill; and I want to bespeak for the American business men here their cordial support of that, instead of one there is no chance of getting.”

According to the Lowden Bill the board of examiners for the consular service shall be composed of the officer charged with the administration of the consular service, the chief of the Consular Bureau, the chief of the Bureau of Trade Relations, and the chief examiner of the Civil Service Commission, or such other officer as that Commission shall designate. However it is accomplished I am sure that the business public of this country will welcome the enactment of a law giving permanent effect to the reforms established by executive action in the Consular and Diplomatic Services of the United States.

#### **NATIONAL ADVISORY BOARD OF COMMERCE.**

In mingling with the delegates to this Congress during the last two days I have heard several gentlemen express themselves as in favor of the establishment of a quasi-official connecting link between the United States Government and the business interests of the country, somewhat along the lines of the National Council of Commerce, which was established under the auspices of the Department of Commerce and Labor a few years ago. Looking at the matter from the viewpoint of the commercial activities of the Department of State, I have always been in favor of the basic principles underlying the National Council of Commerce, and it seems to me

that if the National Business League of America, with the prestige of its splendid achievements in the fourteen years of its career, would galvanize into practical usefulness this plan of an authoritative medium of communication between the trade promoting institutions of the United States government and the commercial organizations of the country, it would thereby perform a great and enduring service to the American business public.

Last year it was my privilege to visit the principal commercial countries of Europe on behalf of the Department of State for the purpose of studying organizations and methods of their official trade promoting institutions. In Germany, France, Austria-Hungary, Italy, Belgium and the Netherlands, I found that the Chambers of Commerce by reason of their quasi-official status, constituted an important feature of the trade promoting institutions of the National Government. The machinery was particularly well organized in the German Empire, and enabled the German government to obtain promptly and authoritatively a correct expression of the needs and wishes of the different industrial committees, and, on the other hand, to disseminate confidentially through the chambers of commerce to German industrialists, trade information received from the foreign agents of the government.

In the United States a great difficulty is encountered in any attempt to duplicate the German system, inasmuch as our chambers of commerce are loosely and variously organized with absolutely no cohesiveness, except such as is offered by the National Business League of America and the National Board of Trade. It seems to me that through your activities a most useful advisory body might be created, which might appropriately be called THE NATIONAL ADVISORY BOARD OF COMMERCE. While such an organization would be of obvious assistance to the Department of Commerce and Labor in disseminating confidential information to American business concerns, it would be equally helpful to the Department of State in many ways, particularly in tariff negotiations with foreign governments. In the past it has often been difficult for the department to know what tariff concessions it is most desirable to demand in particular countries, when there is a willingness shown to improve the conditions of access to their markets. There are also frequent instances when the Department of State desires to confer with representative American business interests in regard to actual or threatened discriminations in foreign countries

against the commerce of the United States, and to obtain from them reliable information on which to base diplomatic representations to the offending governments. A National Advisory Board of Commerce would act as a clearing house for the views and requests of the business organizations of the entire country, which it is deemed desirable to place in definite form before the Department of State for its consideration and possible diplomatic action.

Gentlemen, I thank you. (Applause.)

THE CHAIRMAN: Gentlemen, I am sure we are all greatly indebted to Mr. Osborne for this very valuable address. There is much food for thought, and I am sure we will get great benefit from it.

MR. CHARLES J. VOPICKA: Mr. Chairman, I would like to say a few words in regard to that interesting report which I have just heard. In the first place, I want to congratulate the National Business League of America for its work in trying to reform the work of the consuls of the United States. It seems to me that the League did not go far enough. It seems to me when you want to regulate something you must take into consideration the persons who are to be reformers of the Consular Service; that you should have a practical man in your service, and you must pay him a reasonable salary.

I was astonished to hear the report that most of the consuls were getting \$2,000 or \$2,500 or \$3,000 a year in the service of the United States. I ask you, gentlemen, as practical business men, can you expect a good sharp business man as your representative in different cities in this world for that? I say to you that you can not. Whom can you get to go and take the examination for consul for \$2,000 a year? You might get a young man who is ambitious, and who probably has some education, just coming fresh from the college or from the university. That is not the kind of a representative the business people of America want to have. They want sharp business men from whom they can expect good advice; from whom they can expect that his advice will help their trade or their export or import, whatever the case may be. It seems to me that if you go on and have this Consular Service put on a proper basis, you should see to it that our men are better paid.

You know how shameful it looks when you go to the Consular Service in Europe and they tell you to go to such and such a place which is far from the select residence district of the city; in other

words, a man like that must look out that he may live on \$2,000 a year and pay as little as possible for rent, and so on. It is surely a shame that they do not pay the consular officers properly. The United States pays less to their consuls than any other country in the world. Now, why do they not give a man reasonable pay and expect services from him? Not only that, if a man is in service for five years or so—I don't know that these bills will be passed—then he will get a raise. But if you simply keep on paying them this way you will fail in the end. There is absolutely no question about that.

DR. SAMUEL MACCLINTOCK: Mr. Chairman, I realize it is quite late, and, therefore, there is no opportunity at this time to discuss any of these questions, but if any of you gentlemen were here on Monday you may remember that I brought out the point that is being made by this gentleman. Also one or two other points along the same line, desiring to bring your attention to the fact that it is absolutely necessary to take some action in order to increase the efficiency of your Consular Service by bringing into it a better class of men. As this gentleman has said, you cannot get the right kind of men to go into the service and stay in it as a life occupation and feel they are justified in cutting themselves off from their home surroundings and influences for the salaries that we are paying.

It seems to me, therefore, that if this matter were given a little consideration and urged upon our representatives in the ways that we have of doing so it would be very timely.

I was in Washington two or three weeks ago and talked with one of the gentlemen who was very largely concerned in the administration of the Consular Service. He practically said that our great need now is to draw into the service the kind of men who are capable of rendering the services that are demanded by the business community. Now, I do not believe that our present scheme offers sufficient honors, emoluments or inducements of any kind to do this. The plan that is in operation is effective and efficient, but it does not succeed in drawing the best men into the service. That is a thing, therefore, which I think might be very well considered by the Resolutions Committee of this present Congress. (Applause.)

THE CHAIRMAN: Gentlemen, we will now have the pleasure of hearing from the Hon. E. Clarence Jones, of New York, Presi-

dent of the American Embassy Association, on the subject: "ELASTIC CURRENCY FOR THE PEOPLE, STABLE, FLEXIBLE, RECONVERTIBLE." (Applause.)

MR. E. CLARENCE JONES: Mr. Chairman and Gentlemen—It is always a pleasure to address what might be called by us of the Atlantic seacoast a Western body. I find I always get inspiration from the West. I find the West is more progressive than most of us on the Eastern coast are.

It was two years ago that we opened a campaign in favor of the government purchasing homes for its ambassadors abroad. On that occasion the National Business League of America, as well as the Chicago Association of Commerce, gave us their unstinted support, and I think it is largely due to the introduction and opportunity they gave us that we carried the work to a successful issue and succeeded last February in having Congress enact a law appropriating annually, until the work is done, \$500,000 a year for the purchase of homes for our ambassadors abroad. I am not going to revert to that old subject, but I only touched upon it because I thought Mr. Gates wished me to. And I only wanted to thank the Business League for what they did then, and say that I hope the omen of appearing under their auspices will give the views that I am about to give utterance to as much currency and have as much beneficial result as the old campaign had.

I sometimes think that we in the East are as far behind the West as England is behind us. I am reminded of a little story told in England not long ago that shows how much England is behind even the Atlantic coast. When a woman who owned her little store said to an American boy who was visiting her: "Jimmie, everything depends upon yourself to make your way in life. When I was a young woman I went to work here in London for \$3 a week, and at the end of a few years I owned the whole store." Jimmie said: "You cannot do that in New York. They have cash registers there." (Applause.)

In the panic of 1893 I was actively engaged, and was then as I am now, a member of the New York Stock Exchange. I was called on the telephone by one of the largest savings banks between New York and Boston, and the President said to me: "Mr. Jones, we are having a run on our bank. We will send you to-

night 500,000 Governments, and we want you to send us the money. We don't want any checks; checks are no good."

Currency at that time was selling at a premium of about 5 per cent. I said: "Hold your bonds for further instructions, till I see what I can do." I sent out representatives among the National Banks of the city, who I felt should be buyers of these bonds at a price, and offered them to them. In the entire City of New York I was only successful in getting an order, and that about 20 points under the last quoted price, for 50,000 of those 500,000. Meanwhile I had had my correspondents go over the Boston market and they found they could sell them in Boston at a very low price and buy the currency there for about 5 per cent premium. I called up the banker and told him not to ship the bonds to New York, but to ship them to Boston; that they would ship him the currency the next day. The thought was then germinated in my mind when we had a currency founded on Government bonds; when there was seven hundred and odd millions of it out, when a bank had a run on it and it had the Government bonds on which that currency was issued, and it couldn't get the National Banks who had the right to get the currency to get it and give it to them, and they could not get it themselves, I thought there was something wrong. It is only recently since there has been so much agitation, and necessary agitation, to prove the currency question, that I again gave thought to this idea, and from that experience, what I am going to say to you has sprung.

All economists and financiers agree in the opinion that the currency of the United States lacks elasticity. It does not expand and contract with the rising and falling tides of trade. The necessity of some change in the banking system which will provide a more elastic currency has been urged upon Congress officially and unofficially for twenty-five years.

Most of those who urge a change evidently believe that no additional elasticity can be given to a currency based solely upon the security of government bonds. They think that it would be desirable if possible to abandon the system by which National Bank Notes are issued upon the pledge of government bonds as security. When they endeavor to agree upon a substitute for the present National Bank notes secured by bonds of the United States there is considerable difference of opinion as to what should be done. In general their recommendations provide in one form or another for

an issue of bank notes secured under suitable regulations and restrictions by the assets of the banks issuing the notes. This form of note issue is conveniently designated as "asset currency" and it will be equally convenient for the purposes of this article to refer to a currency secured by government bonds as "bond currency."

The only progress which has been made in National legislation in the direction of the adoption of "asset currency" was contained in the Act of May 30, 1908. This was passed under the stress of fear induced by the recent memory of the panic of 1907 when there was a practical suspension of currency payments by banks throughout the country, and when currency was bought and sold as a commodity in the principal money centers. This law authorized the issue of notes not secured by United States bonds in two ways.

Any National Bank which fulfills certain requirements may secure authority to issue notes secured by bonds of any State of the United States or of any City, Town, County or other municipality or district in the United States which has been in existence for ten years previous to such deposit and has not defaulted during that period in the payment of any part of the principal or interest of any funded debt and whose net funded debt does not exceed 10% of the assessed valuation of its taxable property.

The law further provides for the formation of national currency associations by not less than ten National Banks, each having an unimpaired capital and a surplus of not less than 20% and with an aggregate capital and surplus of at least \$5,000,000. Any such currency association acting on behalf of any one of its members may upon its fulfillment of certain requirements obtain authority from the Secretary of the Treasury for an issue of additional notes to the currency association on behalf of its members secured by the deposit of any securities, including commercial paper.

The essential feature of one method is that notes may be "secured by the deposit of bonds *other* than bonds of the United States." The fact that the "other bonds" must be State or municipal bonds makes this new currency a "bond currency." The only difference is that the selection of bonds is not limited to United States bonds, but is extended to State and municipal bonds. The proposed currency is, therefore, a State and municipal "bond currency" and not a United States "bond currency."

The essential feature of the other method is that notes can be issued upon the security of commercial assets. The security for the



notes may be "any securities, including commercial paper" but notes cannot be issued on the security of commercial paper to a greater extent than 30% of the unimpaired capital and surplus of the issuing bank nor to exceed 75% of the cash value of the securities or commercial paper deposited except in the case of State and municipal bonds, upon which notes may be issued to the extent of 90% of their market value.

Judged by the experience of the past the most objectionable feature is the authority to issue notes to circulate as money, based on the pledge of State and municipal bonds. The experience of the country under the State Banking system from 1837 to 1863 demonstrated the insecurity of bank notes issued upon the pledge of such securities. *The permission to use State and municipal bonds as security for circulation multiplies the number and character of the governments upon whose credit the money of the people is dependent for its value.* Under our system of government there is no practical method to prevent the repudiation of bonds by State and municipal governments. *A currency based on State and municipal bonds can be no more elastic than one based on United States bonds. The addition of State and municipal bonds merely adds an inferior bond currency and gives no more elasticity to the currency.*

The notes authorized by this law have been designated as "emergency currency" because it was not intended that they should be issued except in times of panic or when money is in great demand. As a means of preventing their issue, except at times when rates of interest are very high, and compelling their retirement when the emergency is past, the law provides for a tax upon the notes for the first month of their issue at the rate of 5% per annum and afterwards an additional tax of 1% per annum for each month until a tax of 10% per annum is reached, and thereafter an annual tax of 10%.

Currency associations have been formed in various parts of the country pursuant to the provisions of this law, but up to the present time no notes not secured by United States bonds have been issued, either by the currency associations or by the National Banks. The existence of these provisions for "emergency currency" does not satisfy the demand for a modification of the permanent currency system for use in ordinary times. The temporary character of the legislation is shown by the fact that the operation of the law expires by limitation on the 30th day of June, 1914.

The difference of opinion in regard to the modifications that should be made in our present currency system in order to make it more elastic and responsive to the needs of business may be put in two classes: differences of opinion as to the intrinsic merits of the different plans proposed, and differences of opinion as to the political difficulties which will lie in the way of their adoption. All students of the problem probably agree that it will be difficult to secure at any early date, the passage of a law which will abolish entirely the present United States "bond currency" and substitute in its place any system of "asset currency." *The National Bank notes secured by United States bonds, have stood the test of war and panic and hold a firm place in the confidence of the American people and the world.*

The existence of this political obstacle to a fundamental change in the character of the security back of our National Bank currency raises the question whether something cannot be done to make a United States "bond currency" more elastic and at the same time leave the field open for the adoption of a plan for the issue of "asset currency" whenever an agreement can be reached as to a safe and scientific system. Every suggestion for the accomplishment of this result is to be welcomed in the interests of the public welfare. In this spirit the author of this article proposes a plan for the issue of currency secured by United States bonds which, in his opinion, will render that portion of the circulating medium of the United States more elastic than at present without, in any way, interfering with the advocacy and adoption in future of any proper plan for the issue of "asset currency."

The substance of this plan is that the right to receive notes to circulate as money secured by the deposit and pledge of United States bonds shall not be limited to National Banks, but shall be conferred upon any person who owns United States bonds.

*Why should John Brown, because he incorporates himself as the John Brown National Bank with a capital of \$100,000 be allowed to get \$100,000 in currency from the government on the deposit of government bonds to that amount, when John Brown, as an individual, or as the John Brown Dry Goods Co., or the John Brown Plow Factory, or the John Brown Trust Co., or the John Brown State or Savings Bank, cannot do so upon the pledge of the same bonds?*

The only answer to this question is that practically the exclusive right to issue notes to circulate as money is conferred by law upon National Banks for reasons which arose out of the Civil War. These reasons were the desire for a uniform currency, controllable in amount by the National Government and receivable for taxes by the National Treasury; the creation of a permanent market for a large amount of United States bonds and the consequent improvement of the National credit; the creation of a large number of financial institutions under national control widely distributed over the country which could serve as depositaries for government funds and act as fiscal agents of the Treasury and distribute bonds to subscribers; and the increased guaranty that in future there would be fewer banks capable of furnishing credit to rebellious states.

The necessity for the creation of a market for bonds through the medium of National Banks no longer exists. The preservation of the system of National Banks as Government depositaries and fiscal agents of the Treasury, is not dependent on their exclusive privilege to issue notes secured by United States bonds, and the uniformity of the currency will be equally safeguarded under the proposed plan of the issue of notes to any person or corporation upon the pledge of United States bonds. *The security behind the currency, in either case, is exactly the same, and if the National Bank currency is now good, the same currency will be equally good when issued in exchange for United States bonds deposited by an individual or a trading or manufacturing company.*

Theoretically State banks have the right to issue notes to circulate as money in accordance with the varying requirements of the laws of the different states. Prior to the establishment of the National Bank system, they exercised this right. The system was bad because of its lack of uniformity and the resulting inequality in the value of the notes. Congress rendered the exercise of the right to issue notes by State Banks practically impossible by imposing upon such notes a tax of 10% per annum. *Under the proposed plan State banks as well as National would be put on the same status as any individual or trading or manufacturing company—all would have the same right to secure currency upon the pledge of United States bonds.*

*This system of currency could be worked out in practical form by having Congress enact a law making all United States bonds con-*

vertible into currency and reconvertible into bonds under the following plan:

1. Any person, firm or corporation may deposit bonds in any amount with any sub-treasury of the United States, and receive in lieu thereof circulating notes to the amount of the face value of the bonds so deposited.

2. Any person, firm or corporation may at any time return to any sub-treasury any such circulating notes in amounts of \$100 or any multiple thereof and receive in exchange therefor bonds to the amount of the face value of the notes so returned.

3. Interest on the bonds shall cease while the circulating notes are outstanding, but shall commence again when the notes are returned and the bonds are again issued.

4. All future issues of United States bonds shall be in denominations of \$100 and multiples thereof and allotted at par to the smallest subscribers first.

These are the essential features of the plan. The details can be worked out as a matter of legislation and administration.

*All future sales of bonds at par to the smallest subscribers first will overcome the existing discouragement to small bidders, who are puzzled by the fractional premium that may be necessary to secure them and consequently do not bid at all.*

*This method of issue and allotment will establish a direct market for the bonds with the people and remove the government from the hands of syndicates. Undoubtedly large financial institutions can apply for small allotments in the names of employes, but in view of the size of the bond issues, this process of acquiring large blocks of bonds will not seriously deprive the general public of the chance to get them.*

*No government can issue and sell bonds unless somebody makes a profit from the purchase. It is in every way desirable that this profit should be made by the general public, instead of being divided between the government and syndicates as at present.*

*The Nation would derive more permanent benefit by having the general public make the profit and placing its bonds directly in their hands than by getting a trifling profit by selling the bonds at a premium under the present system which makes the National Banks practically the only market for United States bonds.*

The total interest-bearing bonded debt of the United States outstanding on October 31, 1911, was \$963,349,390. Bonds to the

amount of \$714,170,320 (74%) were on deposit with the Treasurer of the United States to secure circulation, and \$38,791,700 (4%) were on deposit with the Treasurer of the United States to secure deposits of public moneys in National Banks. In all \$752,962,020. Thus 78% of the entire interest-bearing bonds of the United States were held by National Banks on October 31, 1911, either to secure the issue of bank notes or to secure deposits of public money.

In addition to these amounts official reports to the Comptroller of the Currency show that the National Banks usually hold about \$10,000,000 (1%) United States bonds as investments, and that about \$18,000,000 (2%) are held as investments by State Banks, savings banks, private banks and loan and trust companies. This leaves about \$182,500,000 bonds—less than 19 per cent of the entire interest-bearing bonded debt of the United States, available for investment to persons other than banks and financial institutions. There is no means of knowing accurately to what extent this small remnant of bonds is held by insurance companies and other institutions which do not report to the Comptroller of the Currency. It is clear that the amount of United States bonds held by individual investors in the United States, is ridiculously small. The system which brings about this result is short-sighted on the part of any government, and particularly on the part of the government of a democracy.

*The strongest opponents of any government are transformed into supporters by the ownership of its bonds.*

This method is pursued by other governments and tends to strengthen any government with its people.

The bonds should bear 3% interest. At the present time no government in the world, unless it creates a fictitious market for its bonds as ours has done, can borrow for less than 3% and have its bonds sell above par. Any rate below this is forced by law and paid for by other exclusive advantages and cannot be depended upon in time of trouble or emergency. Forced by a fictitious market, ours is the only government whose bonds sell on a lower interest basis than three per cent.

*All bonds should be convertible into currency at the option of the holders, who should have the right at any time to send or deliver his bonds to the nearest sub-treasury and receive in exchange therefor, currency equal in amount to the par value of his bonds. Interest on the bonds should be suspended while the bonds are on deposit.*

*When the depositor no longer wishes to use the currency, he should have the right to return the same amount of currency and receive back his bonds. Interest on the bonds should be adjusted and then again begin to run.*

The bonds in size may be comparatively small. Not much larger than Bank Notes.

*This process of conversion of bonds into currency and reconversion of currency into bonds, should be performed as often during the life of the bonds as any holder desires. Provision could be made for the registration of bonds in the names of holders who desire it.*

All sub-treasuries should keep on hand a supply of currency exchangeable for bonds and bonds exchangeable for currency, just as the postoffices now keep on hand money orders exchangeable for cash and cash exchangeable for money orders. Under a simple system of books the exchanges can be made with practically little, if any, more expense than the postoffice department now incurs in issuing money orders and taking savings deposits.

The profit that the government would make by suspending the payment of interest on the bonds, while the currency is outstanding, would more than pay for the printing of the currency, apart from the profits on bonds and currency that would be lost and destroyed in the course of active circulation. The gain to the government on account of National Bank notes lost or destroyed and consequently never presented for redemption, has been estimated to be two-fifths of one per cent upon the total currency issued. Under the present system, the National Banks receive the interest on the bonds at the same time that they either keep or loan the principal in the form of currency. *The plan proposed does not contemplate the withdrawal of the present privilege from National Banks so far as existing issues of bonds are concerned.* Any increased cost to the government in the administration of the plan in reference to new issues of bonds would be more than met by the saving of interest.

This plan will largely remove the pressure on the banks by the people, and every business man can carry a certain percentage of his assets in these bonds, *knowing that when he needs money he can get it by simply sacrificing his 3% interest. It will not be necessary for him either to sell securities at a loss in a low market or borrow money at a high rate of interest in time of stringency, which is the time when securities must be sold at the greatest loss and money bor-*

*rowed at the greatest cost. All incentive to the hoarding of currency tending to create panic and high interest rates will vanish. The plan will operate against the control of money by concentrated banking capital and will tend toward establishing a fixed low rate of interest, which is so desirable to aid in bringing the financial center of the world to this country.*

When the farmers of the West and South shall have invested their surplus in government bonds and need money, with which to harvest their crops and send them to market, they will largely be independent of the local banks. Every such farmer can send his bonds to the nearest sub-treasury for deposit and promptly secure currency in exchange. The only cost to him for the currency is the surrender of the 3% interest per annum on his bonds during the time that he keeps the currency.

*The State Banks* in the West and South, when crops are to be harvested and moved to market, can pursue the same plan and secure a large volume of currency each recurring season for the accommodation of their customers.

When manufacturers and merchants wish to lay in a new stock of raw material and merchandise or to carry manufactured goods until sold, they can secure the currency they need by the sacrifice of the interest on their surplus if this is invested in United States bonds.

Each farmer, banker, manufacturer or merchant, when he has harvested his crops, collected his loans or sold his merchandise, can return his currency or its equivalent in money to the sub-treasury where the bonds are deposited, and receive back his bonds and again have his surplus earning interest at the rate of 3% in the safest investment of the country, and at no expense for brokerage or other charges and at no loss of any part of his investment.

*Every farmer and business man can thus be encouraged to carry as large a part as possible of his surplus assets in government bonds, knowing that whenever he needs money he can get it by the surrender of the interest on his investment, and will not have to sell something in an emergency on a falling market, or borrow from his bank at high rates of interest.*

*By this plan hundreds of thousands of people would own United States bonds who do not do so now, and would by reason of that fact be more interested in the good conduct of the government than they are now. The government would always have a market*

*for its bonds among its own citizens, as France has whenever it has any to offer.*

*In the opinion of the author this plan would fit into the present currency system of the United States without any disturbance and would make the currency more elastic and would be advantageous both to the government and to the people. The two forms of present paper money which would be affected by the adoption of this plan are the National Bank notes and the greenbacks.*

### NATIONAL BANK NOTES.

At the close of business on October 31, 1911, there were in operation 7,331 National Banks with an authorized capital of \$1,-032,632,135. On the same date, United States bonds to the amount of \$714,170,320 were on deposit with the Treasurer of the United States as security for the issue of National Bank notes. Thus seventy-four per cent (74%) of the entire interest bearing bonded debt of the United States on October 31, 1911, was held by the National Banks as security for the issue of notes to circulate as money.

The profit obtained by the banks on this circulation would be a matter of simple calculation if the bonds were always obtainable at par and the charges of the government for taxes, expenses and the sinking fund were uniform for all bonds and notes. The notes issued by the banks would have the same loanable value as the original capital used to purchase the bonds and the interest obtainable on the notes, when loaned or invested by the bank, would be exactly the same as the bank would have obtained on the loan or investment of its original capital. In that case the profit to the banks on the transaction would be represented by the difference between the interest on the bonds and the charges of the government for taxes, expenses and sinking fund. But the calculation of profit is not thus simple. The price of the bonds varies from month to month and day to day and the charges of the government are not uniform. The Comptroller of the Currency makes calculations from month to month to show the actual profit on the circulation based on the average net price of the bonds of different classes for the current month. No such calculation is made for the three per cent bonds of the loan of 1908, for the reason that the government is able to call them at any time from now to August 1, 1918. No computations based upon



the value of these bonds can correctly be made, because of this uncertain date of maturity. They are at a premium. Their average net price is approximately 101½. If any of these bonds pledged for circulation were called for payment at par, the bank would lose the premium.

The method of computation for the 2% consols of 1930, the 4% loan of 1925 and the 2% Panama Canal bonds is shown in the marginal table and explained by the Comptroller of the Currency in the following language:

"Money is assumed to be worth 6% and the measure of profit is the difference between the net receipts from the circulation loaned at 6% and interest that would be obtained on the cost of the bonds loaned at the same rate; in other words, from the interest received on the bonds at the rate provided therein, and the interest on circulation loaned at 6% are deducted the taxes on circulation, expense incident to the obtaining of circulation; *i.e.*, plates, redemption charges, etc., together with the sinking fund, and from the difference is deducted the interest on the cost of the bonds to show the profit."

Profit on National Bank circulation based on a deposit of \$100,000. United States Consols of 1930; Loan of 1925 and Panama Canal Loan at the average net price for the last month covered by the last annual report of the Comptroller of the Currency:

	Cost of bonds	Circulation obtain- able	Interest on bonds	Interest on cir- culation @ 6%	Gross Receipts	Tax	Ex- penses
Consols of 1930. . . .	\$101,005	\$100,000	\$2,000	\$6,000	\$ 8,000	\$ 500	\$62.50
Loan of 1925 . . . . .	115,380	100,000	4,000	6,000	10,000	1,000	62.50
Panama Canal Loan	100,920	100,000	2,000	6,000	8,000	500	62.50

	Sinking Fund	Total De- ductions	Net Receipts	Interest on cost of bonds at 6%	Profit on circula- tion in excess of 6% on investment Amount	Per cent
Consols of 1930. . . .	\$ 27.58	\$ 590.08	\$7,409.92	\$6,060.30	\$1,349.62	1.336
Loan of 1925 . . . . .	688.45	1,750.95	8,249.05	6,922.80	1,326.25	1.149
Panama Canal Loan	15.17	577.67	7,422.33	6,055.20	1,367.13	1.355

The bonds on deposit with the Treasurer of the United States as security for National Bank notes on October 31, 1911, were distributed among the different classes as follows: 2% Consols of 1930—\$593,006,600; 3% Loan of 1908—\$18,199,380; (omitted below) 4% Loan of 1925—\$22,854,300; 2% Panama Canal Loans—\$80,-

110,040. The following table will show the profits obtainable by the National Banks on circulation in one year, based upon the amount and distribution in classes of bonds deposited on October 31, 1911, and on the average profits shown by the preceding calculations:

Class of bonds	Amount on deposit to secure circula- tion	Profit per annum on each \$100,000	Total profit per annum
Consols of 1930.....	\$593,006,600	\$1,349.62	\$8,003,335.67
Loan of 1925.....	22,854,300	1,326.25	303,105.15
Panama Canal Loan.....	80,110,040	1,367.13	1,095,208.38
Total.....			\$9,401,649.20

According to these computations of the Comptroller of the Currency, the National Banks of the country *make or have the opportunity to make an annual profit of approximately \$10,000,000 out of the issue of notes secured by the deposit of bonds over and above 6% interest on the capital invested in the bonds and over and above all taxes and expenses incident to the issue and redemption of the notes.* All such charges for taxes and expenses have been deducted prior to the determination of the net profits shown by the above tables. *This \$10,000,000 is paid out of taxes collected by the Government from the people in some form. For this profit of \$10,000,000 per annum, the National Banks at the present time render no service to the Government or the people of the United States. This \$10,000,000 per annum could be saved to the Treasury of the United States on the issue of notes to the same amount directly to the people under the plan proposed by me. This saving could not be entirely effected at once, because the immediate application of the plan to existing issues of bonds, now so largely held by National Banks, is not advocated.*

*Even if the proposed system necessitates some increase in the clerical expenses of the sub-Treasuries at the points where the notes are distributed to the people, this increase ought to be more than offset by the decrease in the clerical and administrative expenses of the bureaus at Washington where the notes are prepared and distributed to the National Banks.*

On October 31, 1911, there were 7,331 National Banks in the United States with each of which it was necessary to conduct cor-

respondence and keep accounts; for each of which it was necessary to make different plates and print different notes for each denomination of note issued by it, and to each of which it was necessary to distribute notes when printed. National Bank Notes are authorized in eight denominations of five, ten, twenty, fifty, one hundred, five hundred, one thousand and ten thousand dollars.

Eight times 7,331 makes a possible 58,648 plates which may have been necessary for the issue of National Bank notes to the National Banks in operation on October 31, 1911, under the present system. Under the system proposed by me, all notes of each denomination will be the same throughout the United States, and there will be no expense of engraving the names and designs of 7,331 different banks. This makes ten engraved plates theoretically possible under the proposed system, as against 58,648 under the present system.

Practically ten plates will not be sufficient by reason of the wear and tear on the plate in the engraving of a larger number of notes of each denomination, but this is offset by the changes in plates each year under the present system, due to the organization of new banks and changes of names of the old ones. During the year ending October 31, 1911, charters were issued to 214 new National Banks and the names of 9 existing National Banks were changed. Notes in eight denominations for 223 banks made a possible 1,784 new plates to be engraved during 1911 for these 214 new banks and 9 old ones with change of names.

It is true that as a matter of bookkeeping expenses for plates are charged to and paid by the banks. But all such expenses have been deducted from the interest on the bonds prior to the determination of net profits shown by the above tables. Practically, therefore, all such charges for expenses are paid out of taxes collected by the Government from the people in some form. *These facts show that every consideration of economy in expenditure and saving of profits to the Government or to the people, is on the side of the proposed plan of notes to be issued directly to the people.*

Complaint is made that the National Bank currency is not elastic; that it does not contract and expand with the demands of trade and business; that its failure to contract and expand renders the currency redundant when money is "easy," and scarce when money is "tight." The reasons for this lack of elasticity are not difficult to find. The present National Bank currency is slow to ex-

pand because of the delay, trouble and expense necessary to have it issued. The urgent demand may be over before the bonds can be deposited and notes engraved and delivered. It is slow to contract because of the same difficulties and also because there are no inducements to its retirement. There is on the contrary every advantage to the National Banks not to retire their notes when money is easy and the currency redundant. If they cannot loan their notes to advantage, they could not loan their capital if they had it. The surrender of the notes will only enable them to get back their bonds, from which they cannot get more than the interest they receive, unless they sell them. If they sell them, they cannot lend the capital released by the sale on any better terms than the currency which they have surrendered. By keeping the currency even idle, if necessary, they retain the interest on their bonds and have the chance to loan their currency whenever and at whatever rates they can.

*These influences and forces would all be on the side of elasticity under the new system. The notes would always be ready and could be easily and quickly issued and retired. The inducement for their issue would be that money was in demand for purposes of trade and commerce and worth more than the interest on the bonds. The inducement for their retirement would be that money was easy and worth less than the interest on the bonds. The facility of the exchange of notes for bonds and bonds for notes and the suspension of interest on the bonds while the notes were in circulation, would produce the very elasticity which the present system lacks.*

### GREENBACKS.

The extension of the plan to another branch of our paper money would remove the rigid inelasticity of the United States notes commonly known as "greenbacks." These were issued during the Civil War in payment of the expenses of the Government. They are mere promises of the Government to pay on demand a stated number of dollars. They were made legal tender in order to force their circulation at a time when the credit of the Government was low.

Of the large amount issued during the Civil War, many were retired and cancelled prior to May 31, 1878, when their further retirement and cancellation was prohibited by law. The amount then and now outstanding was and is \$346,681,016. Gold to the amount of \$150,000,000 is held in the Treasury of the United States as a

Reserve Fund for their redemption and for the redemption of \$3,-138,000 of Treasury notes of 1890. The law establishing the proposed plan of United States bond currency could bring the greenbacks within its provisions. They could be made exchangeable for bonds in the same manner as National notes. Once bonds were issued the greenbacks could be retired and cancelled and when the bonds came back for deposit, the new National notes could be issued in their place. This would produce a uniform currency so far as it is based on the faith and credit of the Government and not on the deposit of gold and silver in the Treasury of the United States or on the assets of banks.

Whenever you touch the greenbacks, you raise the question of their quality as legal tender in payment of public and private debts. The constitutionality of making anything but gold or silver legal tender, was the subject of long controversy in the courts and its desirability is still the subject of permanent controversy in the minds of financiers and economists. The legal question has been settled by the Supreme Court of the United States, which has held that Congress has the power to declare National notes legal tender in the payment of public and private debts.

As an academic question, it may be conceded that nothing except gold should be made a legal tender in the payment of debts so long as it is the standard of value. Theoretically, this is sound, but practically it is not as sensible as it is sound. The people of the United States prefer to use paper money. This is shown by the fact that on October 31, 1911, there were gold certificates to the amount of \$997,062,669 outstanding and in circulation. The gold coin and bullion for which these certificates have been issued is on deposit, dollar for dollar, in the Treasury of the United States. It lies there in the vaults because the people do not wish to handle it and carry it, but prefer the paper evidences of its existence. There is no incentive to the deposit of gold and the issue of certificates in place of it, except that of convenience. Under the present system gold coin is legal tender, but gold certificates are not.

In the practical conduct of business, it is necessary that there should be established by law some medium of exchange which a debtor can conveniently secure and compel his creditor to accept. Contracts in writing may be drawn to provide for payment in any particular money or standard of value, but indebtedness growing out of ordinary transactions is not expressed in writing, and it is neces-

sary for the law to prescribe some medium of exchange which shall be accepted in payment by the creditor when tendered by the debtor. In view of the inconvenience of making gold coin the sole legal tender in payment of debts in the United States, there is substantial reason for giving that quality to National notes. This, however, is a matter of opinion, and does not bear on the merits of the proposed system of National notes.

### NO INFLATION OF THE CURRENCY.

The proposed plan may be unthinkingly criticised upon the ground that it opens the door for the inflation of the currency without limit in amount and with no provision for its redemption in gold.

*We are not now proposing a new and scientific system of currency. We are dealing with the established system of currency which exists in the country at the present time. The new plan must be judged by comparison with the present situation.*

On October 31, 1911, there were 7,331 National Banks with a total capitalization of \$1,032,632,135. On the same day the total outstanding bonds of the United States which could be used for circulation, amounted to \$913,317,490—less than the combined capital of the National Banks by the sum of \$119,314,645. In addition to the bonds which could be used to secure circulation, there were outstanding \$49,990,000 Panama Canal 3% bonds of 1911 and \$41,900 Postal Savings 2½% bonds from which the circulation privilege had been withheld. The National Banks, therefore, were able to secure authority to issue National Bank notes, secured by United States bonds, to the total amount of \$913,317,490. They had not availed themselves of their full privilege in this respect. The total amount of United States bonds deposited to secure circulation on October 31, 1911, was \$714,170,320. *The National Banks, therefore, could have issued about \$200,000,000 more National Bank notes than they had qualified themselves to issue on that date—over 25% of the total National Bank circulation, which clearly shows that many National Banks did not consider their present privilege sufficiently valuable to cause them to give to the people as much currency within \$200,000,000 as they might have done.*

(The foregoing paragraph does not take into consideration the fact that the Act of May 30, 1908, authorizes a further issue of Notes by the National Banks of not over \$500,000,000. Hence, on

October 31, 1911, the National Banks could have issued Notes aggregating \$1,413,317,490, of which \$913,317,490 could have been secured by U. S. bonds and \$500,000,000 by State and Municipal bonds and other assets.)

If the proposed plan had been in force on the same day, the amount of National bond notes that could have been issued under the new plan would have been the same as the amount of National bank notes that could have been issued on the security of United States bonds under the present system with the addition of \$49,990,000, Panama Canal 3% bonds of 1911, and \$41,900 Postal Savings Bonds; in all an addition of \$50,031,900.

*Any criticism of the proposed plan for its lack of limit as to the amount of notes that may now be issued, applies with equal force to the present system, for although the present issues of United States bonds available for circulation do not equal by \$119,314,645 the present combined capital of the National Banks, the law of 1908, which gives National Banks the right to issue notes against deposits of state, municipal and other bonds, raises the limit of the possible issue of National Bank Notes under the present system to the combined "capital and surplus" of the National Banks, now about \$1,650,000,000, with the \$500,000,000 limit for "emergency currency" above referred to.*

### REDEMPTION IN GOLD.

The question of redemption in gold presents a more intricate problem, but a critical analysis of the facts will demonstrate that under the present system the redemption in gold of National Bank notes and greenbacks depends as a last resort upon the ability of the National Government to sell bonds to procure the gold. National bank notes are payable in lawful money of the United States. *Lawful money of the United States means gold and silver coin and greenbacks.* The National Banks are required to maintain in the Treasury of the United States a current redemption fund in lawful money of the United States equal to 5% of the circulation outstanding. Notes presented to the Treasury of the United States for redemption are paid from this fund. When paid from this fund they are presented to the bank for payment. If the notes are not paid by the bank the Government must sell the United States bonds which have been deposited to secure their payment in order to get

the lawful money—gold and silver coin and greenbacks—with which to pay them.

If paid in silver the law of 1900 makes it the duty of the Secretary of the Treasury to maintain the parity between gold and silver.

If the National bank notes are paid in greenbacks only one step is necessary to get gold. The greenbacks are payable in gold. \$150,000,000 in gold is held in the Treasury of the United States as a reserve fund from which to pay them on demand. If the fund is exhausted, the Secretary of the Treasury has authority to sell bonds to replenish it. *This was done on four different occasions during the second administration of President Cleveland.*

*The result is the same in both cases. The ultimate resource for the maintenance of redemption of the National Bank notes and greenbacks in gold is the reserve fund of \$150,000,000 in gold in the Treasury, backed by the authority and ability of the National Government to sell bonds to provide more gold when needed. This reserve fund, backed by the authority of the National Government to sell bonds, was the basis for redemption in gold of \$346,681,016 of greenbacks and \$714,170,320 of National bank notes issued and authorized to be issued on October 31, 1911.*

*The same reserve fund can be maintained and the same ability to sell bonds and secure gold will exist under the new system.*

#### SIMPLICITY AND ADAPTABILITY.

The proposed plan *does not make a radical change in the character of the existing currency, nor does it in any way, deprive the people of any of the benefits that can be derived at present or which may be derived in future from the National Banking system.*

The National Banking system gave to the country two of the greatest qualities of any currency—security and uniformity. The old system of discrimination between different bank notes ceased when every dollar in circulation rested on the same basis: the credit of the National Government. The necessity of paying high rates of exchange on currency or surrendering the notes of distant banks at a heavy discount ceased when every note became as good in one part of the Union as in another.

Federal supervision and examination stopped the creation of fraudulent banks and imposed such restrictions upon their activity and supervision over their management, that National bank failures have been comparatively few. These great benefits—security and



uniformity of note issues, saving of exchange and safety, are almost inherent parts of a National system, and a National system of banks under Federal supervision is essential in order to produce them.

At the present time the real security back of the National bank notes are the United States bonds. United States bonds are simply the promise of the Government to pay at some time in the future. Greenbacks are simply the promise of the Government to pay on demand. The real security back of the present National bank notes and the present greenbacks is the credit of the Government. Under the proposed new plan, the security for all the new notes will be the bonds of the United States; its promise to pay at some time in the future; its credit.

Many financiers and economists criticise the soundness of a currency based upon the credit of the Government under any circumstances, *but such a currency exists as a part of our monetary system at the present time, and the proposed plan does not increase or decrease the possible amount of currency based on the credit of the Government, unless the outstanding bonds exceed the combined capital of the National Banks, which is not now the case. The only change proposed is that this currency shall be obtainable directly by the people of the United States, and that the right to receive notes upon the pledge of United States bonds shall not be an exclusive privilege granted only and for no good reason to the National Banks at an annual expense of about \$10,000,000 to the taxpayers.*

*This change in the law will not interfere with the adoption of any safe and scientific system of banking currency based upon assets. In fact, the separation of the business of issuing currency based upon the credit of the Government from the National Banks and placing it in the hands of the sub-treasuries, will probably clear the field and facilitate the adoption of such a system of "asset currency" for the National Banks.*

### ITS GENERAL ACCEPTABILITY.

If the subject is examined free from preconceived prejudices, there appears to be no substantial ground of opposition.

Those interested in the subject may be divided into four classes:

- (A) The Government.
- (B) The National Banks.

(C) State Banks, Savings Banks, Trust Companies and Private Banks.

(D) Individuals.

*There appears to be no reason why any of these groups should oppose the prompt adoption of the proposed plan.*

(A) The government will derive a great advantage in creating and maintaining a market *among the people* for United States bonds, which does not now exist.

(B) The National Banks can have no sound reason for objecting to the proposed plan. It does not work any injustice to them or injure their present investments in United States bonds. So far as it will have any effect on the value of existing issues of United States bonds, it will tend to enhance their value, as it confers a valuable privilege and thereby increases the value of all United States bonds. *From this point of view, the proposed plan should deeply interest and receive the approval of the National Banks, which on October 31, 1911, owned \$691,440,040 of the 2% Bonds, out of a total of \$730,882,130, more than 94½% of the total issue. The future value of 2% bonds is problematical, in view of the change which is taking place in the rate of interest on all government bonds.*

(C) According to the last report of the Comptroller of the Currency, 15,950 financial institutions in the United States *other than National Banks* made reports to the Department. These were divided into 12,166 State Banks, 638 Mutual Savings Banks, 1,121 Stock Savings Banks, 934 Private Banks and 1,091 Loan and Trust Companies. *All of these financial institutions throughout the United States should be in favor of the proposed plan, as it gives them the right to secure currency in direct exchange for whatever amount of their capital they may find it convenient to invest in United States bonds.*

(D) *Individuals* should be in favor of it because it affords them a practical and economical means of converting part of their invested capital into currency at a maximum of convenience and a minimum of loss.

*So long as the National Banks hold any bonds now used as security for circulation, they will continue to enjoy all their rights and privileges as banks of issue in reference to those bonds. Their special privileges as banks of issue will be gradually extinguished by the lapse of time and the extension of the new system. The pro-*

*posed plan does not take from them any rights or privileges they now possess, but simply extends to any holder of United States bonds, upon less favorable conditions, the same privilege now exclusively held by the National Banks.*

*In the opinion of the author, suitable legislation for the adoption of this plan making United States bonds reconvertible into bonds and currency, at the option of any holder during the life of the bonds, is in every way desirable and will be highly favorable to all public and private interests.*

I am very much obliged, gentlemen, for your kind attention. It has been a dry subject, but I hope some of us have profited by it. (Applause.)

THE CHAIRMAN: The subject, in my judgment, is a very live one, and I am sure we will be glad to hear any discussion on the subject.

MR. HIRSHHEIMER: I agree with the gentleman. The only thing I would like to ask him is how is a business man going to get these bonds and lay them up? The business man is the power.

MR. JONES: I am delighted to have anybody ask me questions and delighted to answer any. The business man can only get bonds by buying them.

MR. HIRSHHEIMER: Yes, and using up his capital.

MR. JONES: He can buy them at the present quoted prices, because there are always some for sale. Or wait until the Government makes a new issue; they will be issued right along, and with my plan worked out he can take as many as he wants. Those are the only ways he can acquire bonds, anyhow; they will never be given to him.

MR. HIRSHHEIMER: How is he going to have them except by taking it out of his capital?

MR. JONES: He is not going to do it except by taking it out of his capital. Isn't it better for him to insure against a pinch, and isn't it better for him to have a certain per cent of his capital invested at three per cent when he don't want it, and at any time he does want it, instead of having it with the banks for the same purpose, able to get it when he does want it?

MR. HIRSHHEIMER: The active business man has no capital outside of what he uses. He is the largest borrower of money in this country.

MR. JONES: But he has a bank balance.

MR. HIRSHHEIMER: When he has a bank balance; yes. He has to have credit. Credit is his capital.

MR. JONES: Yes.

MR. HIRSHHEIMER: If he ties up his capital and puts it away at three per cent. Suppose we had \$500,000 worth of paper and \$10,000 of bonds; that would be a bagatelle; you could not get enough money with that.

MR. JONES: My dear sir, if a man has not the money, I don't know of any scheme to give it to him.

MR. HIRSHHEIMER: No.

MR. JONES: I am only proposing a plan whereby a man who has money and is willing to finance himself along safe lines can do it without fear of being pinched at a certain time by a money trust. I am not proposing a plan that gives anybody money that has not any.

MR. HIRSHHEIMER: No. A man cannot go into business unless he has money and has capital, but I do not think it good policy for a business man—and they are the largest borrowers.

MR. JONES: Yes.

MR. HIRSHHEIMER: To tie up the money in something that—

MR. JONES: Well, my dear sir, that is a matter of his own choice.

MR. HIRSHHEIMER: His own choice? No; it is not his own choice. A business man at certain times of the year is the largest kind of a borrower.

MR. JONES: Yes.

MR. HIRSHHEIMER: Borrows, perhaps, fifty per cent of his total capital. Now, if he puts away even ten per cent of capital in his bonds, he would have to borrow ten per cent of that from somebody else.

MR. JONES: I am not offering something compulsory. I am offering an opportunity.

MR. HIRSHHEIMER: I understand this is not compulsory upon anybody, but I want to know how is that going to work out with the business man?

MR. JONES: If he has not any money, it is not going to touch him.

MR. HIRSHHEIMER: Then he is the man that does the business of this country.

MR. JONES: Well, but there are hundreds of thousands of people in this country with deposits and investments who need money, and yet are not active business men.

MR. HIRSHHEIMER: Those are the fellows that will get those bonds, but how is the business man going to get those bonds when he wants them? He cannot go out and borrow them of people who have them laid up.

MR. JONES: You can always borrow bonds if you put up their value.

MR. HIRSHHEIMER: We can always borrow money if we put up its value.

MR. JONES: Not always.

MR. HIRSHHEIMER: Yes.

MR. JONES: I have seen the time when we could not.

MR. T. M. SECHLER: Let the man who has those bonds put them up and get the currency and loan it to you.

MR. HIRSHHEIMER: Those people who hold those bonds are the most suspicious people in the world. They come to you and loan you money, but if you want to go to them and borrow money they would say: "You are hard up; I guess I will keep my bonds."

MR. JONES: My dear sir, I cannot provide a panacea for every situation. I cannot provide for badly organized business men's affairs; I cannot do that, but I can give him the right not to be pinched in a famine. I have been in Wall Street—I have seen times when you could not get money for your payrolls; I have paid as

much as six per cent, and glad to get it at that, for my customers; you could not make their payrolls in checks. I was glad to get it. Clearing house checks, also. The difference between the percentage being the difference in value between a clearing house check and the price of the actual currency. I guess there is no one in this room who has not experienced it.

MR. HIRSHHEIMER: I am talking about a business man who uses all his capital in his business.

MR. JONES: This does not touch him. They are the men who borrow the money and pay the interest.

MR. HIRSHHEIMER: Let us let it alone.

MR. JONES: You would want this man to go out of business, then?

MR. HIRSHHEIMER: No; it does not affect anything that exists now.

MR. JONES: The sub-treasury should always have on hand bonds which need not be larger than notes, and notes to issue against those bonds, just the same as the Postoffice Department now has blank forms to give you the minute you make out your order.

A DELEGATE: The Government has given a discount, at 99½, when bonds afterwards sold at 103 to a banker, and I want to ask for what reason was that discount?

MR. JONES: If the Government is putting out, as it did last spring, 50,000,000 of Panama Canal's 3s, on which it got a trifling premium, and practically all of which went into the hands of financial institutions, because, bear you in mind, that over 79 per cent of the entire outstanding bonded indebtedness of this country today is in the hands of the National Banks, and there is a lot of it in the hands of insurance companies and other big corporations which we cannot trace. I do not believe that the citizens today hold five per cent of the national government debt. They do not do it for two reasons: The currency privilege has made bonds so high, and the small per cent that is paid, the small person around the country does not want to pay a high premium for a low interest bearing bond, and they have no opportunity of getting them at first hand. I claim the government would be strengthened with our people if they would

do as they do in France and some of the other European countries; if they would say we don't want a paltry  $1\frac{5}{8}$  per cent by selling these to a syndicate. We are going to sell them and let them make the  $1\frac{5}{8}$ . That is the reason you buy them, and it is going to distribute the Government debt and find a direct market with the people; and by doing that we would have better citizens.

That is why I advocate the present system should be done away with, and it should be first come first served; the smallest bidder first, those who order one or two or three hundred. In that way you distribute the bonds in the hands of the people and they get something on which they have a profit, and then there will be very few who want to sell them; speculators cannot make that profit if they are allotted to the smallest subscriber first, at par.

A DELEGATE: I was very much in sympathy with the gentleman's idea, but I wanted to know whether it was to prevent Wall Street—and the gentleman does not need to think my remarks are directed at him.

MR. JONES: Any Wall Street man is open to suspicion.

A DELEGATE: But, of course, gentlemen, it comes back to the question that this is a moral question. We are supposed to have a government for the people, but we have a government for the people in Wall Street, and the brokers and financial men. I have represented corporations all my life.

MR. JONES: Pardon me. I have been for many years a member of the New York Stock Exchange. I am one of those men upon whom you look with holy horror. There are 1,100 of us and, to my mind, they constitute one of the most honorable bodies of men in the world, but much maligned. The members of the Stock Exchange do not originate anything. They are simply the agents of the fellows who do. When we execute an order to buy or sell stocks we get the order over a telephone, and we neither know or care from whom it comes. We are looking for the  $\frac{1}{8}$  commission. Those men are simply men there trying to make a living at \$12.50 for every time they buy or sell 100 shares of stock. I am always glad to lift my voice in their favor when I have an opportunity.

This plan of mine does not increase the volume of currency in any way. In the first place, the national banks can now issue currency on all of the Government bonds except about 60,000,000 odd.

The 50,000,000 of the recent Panama issue from which they withdrew it because it would have depreciated the 2's. All government bonds have today the same privilege except the 60,000,000 odd. You will see the actual figures in the treatise of mine, and it does not increase the possibility of one dollar of currency over what the National Banks could issue now if they all availed of the privilege. It simply goes right to the elasticity of the currency in the hands of the individuals without the intervention of a national bank.

For instance, if you had 10,000 of government bonds today you cannot get any currency on them, but you can hand them to the national bank and it can loan you the currency. The fact that you are getting it through them does not in any way increase the possible volume of currency, which is limited to the outstanding of United States bonds in any case. The outstanding amount of United State bonds is smaller today, by several hundred millions, than the combined capital of all the national banks, and yet all the national banks are allowed by law to issue circulation up to the full amount of their capital, which, at the present day, is several hundred million dollars more than all of the United States bonds outstanding. So that you can see that you could today issue three or four hundred million dollars of bonds, and the national banks could issue currency against them, too. It is not inflation, but simply a change.

MR. SECHLER: How would you make currency elastic without you inflate it?

MR. JONES: Elasticity is not inflation.

MR. SECHLER: If you draw on the treasury in exchange for the bonds you are simply reducing the amount of currency in the treasury.

MR. JONES: Yes.

MR. SECHLER: You are not increasing one dollar the money that the country is wanting.

MR. JONES: No. That is left open for a plan of asset currency, such as the Aldrich Bill and others are providing for. What I propose does not inflate the currency one dollar, but it does give you, if you have \$1,000 or \$1,000,000, the right to have the interest on the bond when you do not need the money.



MR. SECHLER: You have not added one dollar to the currency.

MR. JONES: No, sir. I am not preaching inflation. I am preaching elasticity. I am not proposing to add to the store of money. I am only proposing that if I have the same security as a national bank, or if I am a trust company or a state bank I can do the same as they can. Furthermore, I am not proposing to take the privilege away from them.

THE CHAIRMAN: Gentlemen, it is now nearly half past one and there is another short paper to be read and then the resolutions. Now this room must be cleared at 4:30 for the banquet. Therefore, it is absolutely necessary for us to convene sharp at 2:30, and we will have to work very hard to get through.

On motion, duly seconded, an adjournment was taken till 2:30 o'clock P. M.

### SIXTH SESSION.

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WEDNESDAY, DECEMBER 13, 1911.

2:30 o'clock P. M.

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THE CHAIRMAN: We have a paper here from Mr. Robert Dollar, not on the program, and Mr. Nye will kindly read that paper.

MR. JAMES W. NYE: "The American Merchant Marine, in Our Foreign Trade."

Address by Robert Dollar, President of the Robert Dollar Company, Oriental Steamship Lines, San Francisco.

Mr. Chairman and Members of the National Business Congress:

I read on your letterhead the following: "American ships, American built, American manned for American commerce."

Theoretically, this is right and with all of it I agree, provided it can be carried out, but I claim that it is utterly impracticable for the following reasons:

First, in the building of ships or first cost, our politicians and others who do not know, or those who willfully distort the truth, all tell us that it only costs 25% to 30% more to build ships in an American yard than in a British yard. What are the facts? I have just built a steamer in Scotland 423 feet long, 54 feet beam, with engines of 2,500 horse power, and of 8,880 tons dead weight capacity. The price, ready for sea, was \$250,000.00. Inquiry from American yards brought out the information that it could not be built for less than \$600,000.00. Now to build this vessel in an American yard, and to permit her to meet the keen competition in the foreign trade, Congress must pay the builders a subsidy of \$350,000.00. I need not ask you, will they do it? The answer is plain on the face of it: *They will not.*

Then after we get the American ship, we are met with as great obstacles in the way of increased operating expenses. I will again leave the realm of theory, which so many discussing this subject resort to, and get down to actual results. The American steamers, "Hyades" and "Pleiades," 5,000 tons capacity, one year's cost to operate for wages and board, each, \$39,940.00. The British steamers, "Bessie Dollar" and "Hazel Dollar," wages and board one

year, \$16,000.00 each, an excess of \$16,940.00 a year on wages and board alone. Again I ask who is going to pay the American ship-owner this amount to enable him to meet the world's competition? If any one disputes those figures, I can give detailed information from my books and those of the Boston Tow Boat Co.

Then we have to count on our Government regulations and restrictions, which, during the course of a year, run into a lot of money. By our method of measuring ships, we are compelled, in foreign ports, to pay from 30% to 35% more for dockage, pilotage, dry docking, and all charges, that are based on the ship's measurement. For example:

The net British measurement of the "Hazel Dollar" is 2,803 T.  
The net American measurement of the "Hazel Dollar" is 3,582 T.  
The net British measurement of the "Bessie Dollar" is 2,797 T.  
The net American measurement of the "Bessie Dollar" is 3,679 T.

I have tried to find out the reason of penalizing our ships in foreign countries, but have failed to get any satisfactory reply. I have been told by Government officials that they know how to measure a ship, and require no instructions from foreigners. With this, and many other unjust discriminations, our Merchant Marine in the Foreign trade has been legislated off the ocean.

Then in the manning of American vessels, we are compelled to carry useless men. I use this term, as no other nations have to carry them. One extra engineer, 3 oilers, and 3 water tenders. The three last, even the name is unknown in foreign freight steamers. Those seven men cost, wages and board, \$6,000.00 a year.

I will not trouble you with the unreasonable exactions of our Inspection requirements, which no other nation requires: they would fill a page of themselves, and many important and vital requirements are left out, so that our Inspection regulations require to be remodeled from top to bottom.

In view of the foregoing, I say that under existing conditions and laws, an American Merchant Marine to engage in the foreign trade is impossible. A half loaf is better than no bread, and I claim that the only way we can get a Merchant Marine is:

First—To allow us to buy our ships where we can get them the cheapest.

Second—Permit us to man them as our competitors do.

Third—Change our laws and regulations to conform to those of our competitors, preferably to those of Great Britain, under whose flag more than half of the steam tonnage of the world is operated.

I would remind you that it is not lack of enterprise of our ship-owners that has brought us to the humiliating position we find ourselves in, as I have a list of ships owned by American citizens and flying the foreign flags amounting to 1,452,716 gross tons. This amounts to nearly 6% of the entire steam tonnage of the world, and the last report of our vessels in the foreign trade had dwindled down to less than 600,000 tons. You will all admit that it is dangerously near the vanishing point. Did it ever occur to you that, only for the Southern Pacific Railroad operating five steamers, and the Hill Lines, operating the Minnesota, there would not be an American steamer on the Pacific Ocean flying the American flag? The railroads appear to be able to run them. Private individuals or private corporations could not.

Statistics show us that our manufactures are increasing much faster than domestic consumption. Therefore, we must develop and extend our foreign commerce. I claim this will never be done on a large scale without our own ships, so we must find a way of getting vessels. We must do something, and at once. You should demand of Congress to enact laws at this session to accomplish the desired results. On this trip I am making to oriental countries, I know that outside of the Railway steamers, I will never see the American flag on a vessel in the foreign trade. (Applause.)

THE CHAIRMAN: Gentlemen, is there any discussion on this paper?

MR. EWELL: Where was it sent from?

MR. NYE: From a steamer on the Pacific Ocean, on which Mr. Dollar was traveling. It was sent to Secretary Burnham.

MR. EWELL: Do I understand that Mr. Dollar is a ship builder in the United States?

THE CHAIRMAN: Of San Francisco. Mr. Dollar is in the lumber business. He is quite a prominent man along that line. Did you care to speak, Mr. Ewell?

MR. EWELL: No. I shall not say anything at the present time. I shall be glad to refer to some of the points made in the paper, at the banquet, to-night.

THE CHAIRMAN: You can see the paper if you like.

The matter of the Resolutions Committee is the next in order. Is the Resolutions Committee ready to report?

MR. FROST: Mr. Chairman, your Resolutions Committee held quite a number of sessions and considered quite a number of resolutions that were presented and the Chairman of that Committee, for the Committee, wishes to thank the members for the scope and character of the resolutions submitted to them. They were far-reaching in their efforts, and all of them show a result of careful preparation, and showed that considerable time had been devoted to them, and their purpose was, beyond question, to formulate such principles as business, commercial and industrial organizations stand for to-day, and demand. They were broad and generous in their scope, and yet your Committee, after hours of discussion, found that to formulate them in the way in which their importance and their character demanded, and the intelligence displayed in this Congress required, was an undertaking beyond the possibility of a successful conclusion by the Committee, in view of its lack of time and the importance of the resolutions, because it clearly appeared at the start that the Committee was not supposed to bring back any glittering generalities. It was felt that the time had come in the business development of this country when business men are getting together, and when they realize that the controlling and underlying causes operating were threatening the bare existence and the perpetuity of business. So there was no disposition to bring in resolutions that sounded well and meant nothing. It was also felt that a legislator or legislative body or committee had a right to ask this Congress or any committee representing it, not for general recommendations, but for specific recommendations aimed at particular and prominent and important matters. To formulate a platform, to formulate a policy, to formulate principles upon which business men can unite, not in any general haphazard manner, but with the idea to strong and forcefully bring out those principles, those platforms and those ideas to the attention of the people for their support, and require Congress to enact them into laws. In order to accomplish

that it was apparent to the Committee, as it must be apparent to you gentlemen, that to do it right it could not be done in a minute.

The Committee was up against this proposition: Should it bring back general endorsements of certain matters? Or should it make an honest and thorough attempt at this time to formulate the principles for which business men stand? And unanimously the Committee reached the conclusion that now is the accepted time to provide for a declaration on the part of business men which would mean something, and now is the time to begin a movement which would strike and strike hard, and, in order to do that, it felt that the good sense and intelligence of this Congress should be conserved, and that more thought and time than the Committee had should be devoted to the formulation and preparation of its public announcement. Therefore your Committee unanimously recommends:

*"Resolved, That the President of this National Congress be, and he hereby is, authorized and directed to promptly appoint a suitable Committee to formulate a declaration of principles and purposes which will reflect the necessities and demands of the commercial, industrial and business interests of the country; and that your Committee on Resolutions be discharged."*

I move the adoption of that report.

Which motion was duly seconded.

THE CHAIRMAN: Gentlemen, is there any discussion?

MR. HERBERT E. MILES (of Wisconsin): What would the effect of the declaration of the Committee be upon the organizations? Are we to bind our organizations at all after we go home by what the Committee might declare?

THE CHAIRMAN: I will leave the Chairman of the Resolutions Committee to answer that question.

MR. FROST: It was the idea and the sentiment of the Committee that if the platform were formulated as to the demands of business now required, it would appeal to the good sense of the business men, and, therefore, would not be a glittering generality, and they would support it. I don't think the technical question of whether an organization is bound enters into it, because, if it had not the real weight that appeals to a business man's intelligence it will not have

any binding effect or force upon this or any other congress. If you have not crystallized it in your considerations so as to formulate the desires of business men, then, of course, there is no use to talk about binding their judgment. We expect to bind their judgment and the organizations, not because it is what a committee may recommend, but because of the recommendation having inherent good common sense. If it is not so formulated, it is not binding in any way.

MR. GATES (of Illinois): May I inquire whether it is the purpose of the Committee, after this platform shall have been formulated, to submit it to the different organizations represented in this Congress for their approval?

THE CHAIRMAN: I take it, from the resolution, Mr. Gates, that that is up to the Committee for which the resolution provides. That is the intention, is it not, Mr. Frost?

MR. FROST: Yes. To make it absolutely clear, this was the idea: That if a committee be appointed by this Congress which reflected and crystallized the sentiments of the Congress and the institutions back of the Congress, that that committee could formulate a statement of principles, a platform, a party platform, if you please, but a statement of principles and policies which business men would unite upon.

You can see at once that to definitely do that you must bring together your manufacturer, your merchant, your banker, your insurance man, your promoter, your developer of business, agriculturist; you must bring together everybody. While we have no way of knowing how that committee would act, yet, unquestionably, the resolutions, being drawn by men from all parts of the country and from the different industries, would reflect the business sentiment, and those men would be very careful to inquire into all the business sentiment.

Just as before the Resolutions Committee, we have had short, thoughtful, deep study of the many subjects upon which the resolutions were submitted, yet there have been few men who have arisen on this floor who said that, as a result of their study, they believed that business at this time demanded so and so; that business demanded legislation that would help it, is what they said, but they did not say whether the Sherman law should be repealed, modified or enforced. When your Committee got together there was one prac-

tical matter to get a resolution, and every member of the Committee was asked: "What is your judgment with reference to a specific recommendation on the Sherman law?" Each individual member had his own idea, but, you see, the instant the Chair asked the members to reflect the judgment of the convention as a member he began thinking and says: "Well, this reflecting of the judgment of the convention is a very serious matter. I guess I better inquire around."

If you are all unanimous, then a resolution repealing the Sherman law would be something to act upon. I don't know what the state of mind is here. To make it specific—a congressman has the right to ask that. When you go before a Congressional Committee and say that business demands a certain thing—what? Laws that will help business? Why, bring on your laws that will help business. If we cannot make them, nobody else can. If we do not know how to draw the laws that will be beneficial to our own interests, and we the business men who expect to be benefited by them, how do you expect our Congressmen to do it? We have gone in and said: "Hip, Hip, Hurrah! Give us a resolution that will help business." Of course we want it, but what do we want?

The Resolutions Committee felt that an assembly like this was coming together just like the thirteen original colonies, harassed from all points, and it finally stood as the United States. When they started in everybody was willing that the government should borrow money. Every one of the colonies said: "Yes, let us do all we can." But Ben Franklin said: "Who will pay it back?" New York says: "Count me out on that." Massachusetts said: "No, no; I cannot bind my constituents." And they went down the line and the confederacy went to pieces.

Here is the point: We are willing and ready to drop everything that does not personally appeal to us, and stand together. If it is the Sherman law, what do you want? Do you want it repealed, enforced or amended? And, if you want it amended, how do you want to amend it? We would lose all the effect of that if we would make some nonsensical recommendation as to the Sherman law. Suppose we said to repeal it. When the shooting is all done I do not believe there is a man who wants the Sherman law repealed. He will howl about its effect, but I have not heard one business man with whom I have sat down in a corner and talked, say: "Let us wipe it off the books." Congress is entitled to have a specific recom-



mentation, and you cannot make specific recommendations out of air.

Your Resolutions Committee were very reluctant to submit this resolution, but we did not think it wise to submit a resolution as long as we felt that the country had a right, and we owe it to business, to formulate at this time a declaration of business, just as when those people gathered together in the thirteen colonies, and those who remained at home had a right to expect Congress to formulate for them a Declaration of Independence that they could all stand on—and I don't recall when that formulation occurred of anybody asking, in any way, shape or form, whether that Declaration of Independence bound their constituents at home. Why? Because that Declaration of Independence reached right into the heart of every man in the colony, and got together those things on which the colonists stood. It appealed to every man who read it. They said: "These are our sentiments."

Business requires a declaration of that kind. The Resolutions Committee could not get it. We do not think there is energy, intelligence and character sufficient in the business which can get that kind of a declaration within the limited time. Therefore, our Resolutions Committee send it back to this Congress to get the men who we thought, with care, time and consideration, could get a declaration, which, when you and I see it, we will say: "That is the thing." That is what we would stand by and what we would fight for.

While general resolutions are all right, yet general resolutions do not quite fill the bill when a man is trying to help you (and some Congressmen are), when he says: "What do you want, and why do you want it?" I have not any doubt but what a suitable committee can be gathered together, and if they have time enough, can bring back the right answer, and rightfully and truthfully say to Congress that business men want no Sherman law, this or that or the other thing.

I might be mistaken about business not wanting it repealed, but I don't think so. It may be amended or enforced. To formulate that into a resolution, the men who formulate it must either in themselves reflect the wisdom of others, or must have contact with them. It might be well for them to have a heart-to-heart talk with people in the different lines of industry, and learn the things upon which different ones have reached definite conclusions in their own

mind. When a man gets up on the floor and says: "Gentlemen, I have studied the Sherman law for fifteen years, and I believe it ought to be repealed," that is something you can stand on. When a man gets up or when a resolution says: "Well, I think it ought to be enforced, or business ought to be better; I don't know whether you ought to have this, that or the other thing," you cannot stand on that; it only adds to your complexities. You men here, whatever ideas you may have on any subject, if you believe we ought to have a merchant marine and own our ships, say so and give us your convictions on it. If you are just traveling around in the air, discussion is good; but it is too early to formulate anything until your ideas shall have been crystallized. A man's intelligence, his opportunities, his thoughts, all aid. We need formulation as we never needed it before.

Perhaps I say too much, but I go before a great many Senate and House and Legislative Committees. Assume that one-half of our legislators want to do what they can. They want to please the people. They would rather stay in office and have the people think well of them than to have the people scold them. You go before them and they say: "What do you want?" That is where labor teaches us a very important lesson. They go down before the Legislature at Springfield, and, suppose it is a question of boiler inspection; there is no reason under the sun why there should be a State inspection of boilers, in view of the municipal regulations, but they go down there and there is a laboring man there who says: "You ought to have boilers inspected." He hasn't any doubt about it. Well, he says: "Jones, what do you think about it?" "Well, I don't know. Why does my friend want them inspected?" Well, by and by they find out why they want them inspected. He is not telling that, but finally the law is passed. Four or five years afterwards there may be an inspection of boilers by the State. Then he wants an efficient inspection. When he gets his law passed you will find that an inspector can go out in the country and stop a railroad train to inspect the boiler. The possibility of stopping a railroad train to inspect the boiler when it is out here with a load of passengers somewhere in the country is a very vital thing.

It is a mighty good thing to know exactly what you want and state what you want, and Congress has the right to ask it. We have no right to go down there and say: Give us a law that will pay a dollar's worth of debts and which will only cost us fifty cents. We

have a right to go down there and say that we want a merchant marine, and we are entitled to it. That is a definite and specific thing; we are specializing on that. If we do not specialize and make a declaration, we are just like other organizations that have been gotten together, but you know the disappointment and the sorrowful thing about organization; and you all know just as well as I do that you so discuss matters that when you are ready you cannot knit them all together and get a definite action. That is the hardest thing in the world in organization, to connect what you want and public sentiment. I do not believe that you can connect permanently action and public sentiment unless you are asking for action on those things that are fundamentally brought out and which are fundamentally right. Is there some committee of five that can go out and draw them out of the air? No, they have to be brought out of you and me and every other man. You did not build your business in a minute. Today you are trying to prescribe a course for three or four years from now. You are trying to develop a principle on which a problem for tomorrow can be developed.

You heard the message from Robert Dollar, and you know how that typified the condition. There was a shipper, according to his notion he had to carry \$6,000.00 worth of worthless labor, and no other ship had to carry it. He had to do it because the law demanded it. His margin was closing down. It is time when we have to formulate something. Labor is already formulating for the control of vessels by providing for the number of men that shall be employed on steamers and the amount of their pay.

Some time ago we had occasion to return forty or fifty Sicilians who were brought here for show purposes. We went to all the steamers and they said they could not carry them. They had some religious rites that made a slight difference. They said: "We cannot carry them." Well, they could not go on first-class ships, so when we went to those great tramp steamers, and to the United States Government they said: "If you take these men on your ship, sixty of them, you have to make structural changes on your ship; that will cost \$17,000.00." We had to get them out of the country, and when we went out of the country they said to the ship-owner: "No, you cannot do it unless you make structural changes in order to give them more air." Labor has filled up the laws with reference to the operation of vessels, because they have definite and specific recommendations. We are not fighting labor. This is no time for

fighting; this is the time to get to the markets of the world. What we want is to formulate the things that we want. We want to show people how bad conditions can be overcome.

In reference to this declaration of principles, if we can make the kind of declaration that we ought to make I think it would appeal to the good sense of the business men of the country; and we will have a great big number of men who simply say to Congress: We want this or that, and we will get it. But we have no right simply to unload duties on a Congressman—assuming that he is a half-way honest Congressman—to add to the present perplexities he has. If they agree that the resolution offered by the Resolutions Committee should be adopted——

THE CHAIRMAN: The resolution of the Committee is rather vague. The resolution asks the Chairman to appoint a committee. It does not say how many or what kind of representation that committee shall have, whether one from each national or industrial organization, or to whom it shall report, or when. It seems to me that resolution could be drafted a little more plainly so that it would be clearly understood.

A DELEGATE: Is it the purpose of this Congress to adjourn and meet again in the Fall? Or leave it to a Committee with power to act, or to correspond with the different associations? How is the committee to be made up, and how many? I would like to have that a little more to the present.

MR. EWELL (of New York): I am here presenting the National Merchant Marine Association, and I have a decided conviction on the subject that we should have an American Merchant Marine. I believe I am down for this evening to inflict on this Congress my views on that subject, and that is the reason I have not taken the opportunity to say anything before. I believe, however, that the counsel's suggestion was a direct invitation to me, as Secretary of the National Merchant Marine Association, to stand up, and I say I am ready to defend the idea that we want a merchant marine, and want it now.

MR. JONES: I came here to deliver an address, to promote an idea that I have. I am glad to have had the opportunity of doing it. It was not my intention or expectation to take part in any debate

or offer any suggestions, but, as this gentleman has just said, it seems to me to have been invited.

About a month ago one of the leading Senators asked me if I would make him some suggestions that might be of benefit to him in the coming session of Congress—just opened. I wrote a memorandum of my suggestions as to what might be helpful legislation. It was comprised under six heads, and only covers that much paper. Shortly after that my friend, Senator Pavey, was in my office. I showed it to him. He said: "That is just some of the thoughts that I want to embody in something I am going to do." By chance, I happened to have in my pocket, among my several memoranda, a copy of that. If suggestions are wanted as to concrete ideas, these may be all thrown in the air, but I would be very glad to offer them. If they are not wanted, I will not.

MR. FROST: They are certainly wanted.

MR. JONES: It may be a little radical. My first idea of reform legislation was this:

First: Prohibit corporations owning stock of other corporations.

Second: Prohibit voting trusts. Establish cumulative stock voting for corporations, the same as exists in Pennsylvania and Missouri.

Third: (a) Prohibit banks from loaning directly or indirectly to their directors.

(b) Prohibit banks owning stocks in other banks, such as Secretary MacVeagh advocated in a speech two weeks ago in Chicago, but which I invented, or at least introduced in the New York legislature in the session of 1908.

(c) Prohibit banks owning securities to an amount in excess of 10% of their capital stock, except when taken through the foreclosure of loans.

This I advocated before the New York legislature three years ago, because we had many banks that were losing their functions as banks of deposit and discount and becoming pools. One had 76% of its assets in stocks and bonds and only 8% loaned on paper.

(d) Prohibit directors being directors in more than one bank in the same city.

(e) Require banks to keep their own reserve.

There are now seven hundred and odd millions in reserve money in New York City banking through other banks which figure twice as reserve, and it was this so-called reserve that in the panic of 1907—not to go back to 1893—the banks out here were unable to get what they wanted.

Remove the statute of limitations for bank officials' offenses, which is now two years.

I advocated this before the New York legislature in 1908. The papers all jumped on me, but the Comptroller of the Currency, in his annual report, published the other day, advocated it himself for the reason that he says in two years, under the present statute of limitations, you cannot find out what they have done. They can do all they want to and hide it for two years. I was called radical when I advocated that before the New York legislature three years ago, but I am glad now to be supported by your worthy Chicago citizen, Mr. MacVeagh.

(f) The next referred to the plan on which I spoke this morning, to government bonds; that in the future they should be allotted to the smallest subscriber at first at par, etc.

If you want concrete propositions, there are enough of them, and I am pleased to submit them, to engage this Congress for a week.

MR. MILES: This resolution asks the President to appoint ten men to draw up a declaration of principles. Do you want it to be understood that this declaration will be the declaration of those ten men and not of this convention? It may be their expression of their judgment of what this Congress should be for. It may be a better recommendation than this Congress can agree upon; all right; it is not the declaration of this Congress.

THE CHAIRMAN: That is not quite in accordance with what was intended. It was intended that this Committee should be appointed and that then the Committee should take these matters up with prominent men throughout the country and get their views as to further action or resolution.

MR. MILES: Then that Committee will be kind of a clearing house for that sentiment, sentiment of the organization?

THE CHAIRMAN: Yes.

MR. MILES: Then it is not a declaration of the sentiment of this Congress at all.

THE CHAIRMAN: In a way it is.

MR. MILES: They should have a working Committee to go and disclose the judgment of the business organizations. May be that is it.

THE CHAIRMAN: I think perhaps I can clear up the atmosphere on this a little. I attended the conferences of the Resolutions Committee, most of them, and I am frank to say that the members of that Committee were practically in accord as to what should be done on all of the matters referred to in the program of the National Business Congress. But, Mr. Miles, and gentlemen, it was like this: You, John, and you, Tom, sit down to discuss the Sherman Act, and you discuss it for an hour, or you may discuss it for two hours, or for four days, and you reach a conclusion, but when you have reached that conclusion you have not formulated in the proper language or in the language which you desire to present it to your law-making bodies just how they should enact it. This Committee on Resolutions were agreed on practically everything that was brought before them, but when it came to formulating resolutions and putting them into such shape as would be acceptable to this Congress, acceptable to the country at large or acceptable to the Congress at Washington, it was found the next thing to impossible to do it in so short a space of time. That is the result of this resolution, and it seems to me a very tangible reason as to why we should not rush into print with some resolutions that could be picked to pieces by newspaper men and by other people throughout the country.

MR. IRVING WASHINGTON (of Chicago): I think every one must appreciate the difficulties that confront the Resolutions Committee. I, for one, have been awaiting, with the keenest expectancy and interest, the resolutions that might be offered for discussion here. It seems to me that in view of the difficulties with which the Committee confesses it is confronted, the important duty of formulating expressions which shall reflect the soundest and best views of business over the country should not be imposed upon any committee, without at least giving the opportunity to the Committee to present its conclusions for approval and endorsement by this body at an adjourned meeting, or by the constituent organizations repre-

sented here. It would certainly add greatly to the force of any declarations that might be adopted by that committee to have them endorsed after passage by the Committee.

A DELEGATE: Mr. Chairman, I was a member of the Resolutions Committee, but I am still in favor of this resolution for the following reasons: I represent two large bodies, members of this association, namely, the Illinois Manufacturers' Association and the United States Brewers' Association. I have heard so many resolutions which, in my opinion, were pretty good, and I hope that something will be accomplished; but I surely am not ready to vote on anything that was presented. I don't see how anybody could, in so short a time. For that reason it is more time that is necessary. These subjects should be worked out, and if the Chairman will appoint, as I expect he will, men who will have the interest of this Congress at heart, it seems to me that we could not do better than to have this go over and give the proper time and opportunity for its consideration.

I have heard many times that if a business man goes into politics he degrades himself. That is foolishness. What gives him that opinion? Nothing but the reputation of the politician. If a business man goes into politics his opinions are looked upon with favor by his neighbors and by the voters. A laboring man always looks upon the business man as a man of good judgment, and they say, What is good enough for the business man is good enough for us. If you make it an issue that we should be recognized in politics, so that we will see that the right men are elected, men who have the interest of the country, of the poor and rich at heart, we will do better; we will have more influence. I hope this Congress will take that into consideration and base future actions on that consideration. I am certain if business men enter politics we will get better politics at large, because the men who will stand for something for nothing will have no standing.

MR. MILES: I am in favor of this resolution, but ten men cannot meet in a week, or in one year, and express authoritatively our views, because we have not passed upon an essential thing in this Congress. I am decidedly in favor of the resolution, but the clearing house expression—they cannot express the conviction of the Congress because the Congress has not expressed itself. If they could go back to their constituent organizations and have the resolu-



tion approved by them, then it would become the judgment of the constituent members of this Congress. I think that is good law, isn't it, Mr. Chairman?

MR. FROST: If you are asking me for an expression of opinion, this resolution speaks for itself. Any declaration that does not appeal to the good common sense of business men will have no force or weight, and the only way to get it to appeal to the good common sense of the business men is to put good, hard common sense into it, and good common sense is the hardest thing to get quickly and at the time you want it. So far as the question of whether this organization is called together to ratify and approve, that means to meet again, as it carries its own methods with it.

My good brother says that he is ready to defend the merchant marine. Sure, we all are. He did not tell us how to get it. We want a merchant marine. Why, we ought to have it. Congressmen will agree with you, but how can we get it? Here are some specific recommendations, many of them. Some with reference to banking. How can we weave all that together so we can have the banker with us? We have the manufacturer with us, we have the brewer with us, and all that, and they say: "Yes; we are all together on that." It is not the judgment of ten men. A great speech is the production of the man who delivers it. What is it that makes great speeches? Words to picture. It is the ability to just weave the facts together that all people believe. (Applause.) It is hard to do that. It is certainly foolish to try to do it until you have gotten the intelligence.

Now, I would like to hear anybody here who has a fixed conviction on anything. We all will demand a merchant marine, but I suppose tonight we will be told how to get it. Not in a spirit of criticism do I say this, but suppose I had the power to get it and I should say: Why shouldn't I get it, but how will I get it? We are convinced we ought to have it.

In this resolution there is not any "nigger in the woodpile." It is up to the good sense of this body to decide upon what they want. What the Committee was agreed upon was that the time was ripe to state what we want and exactly what we want, and why we want it. We also felt that nobody could state it as well as we could; I do not mean this Committee, but I mean these men here assembled, and since we could not state it we had no right to ask anybody to give us something that we don't know how to ask for. We want

to get all the angles of the situation. The brewer has his troubles; his agitation is the cost of material, his license; he has one thousand and one exactions. He knows his business; we cannot tell him how to run it, but we know we can tell him one thing, and that is the cost of production is increasing, his market is decreasing and his facilities for producing are greater than they were before. He has been blind, deaf and dumb, unless he knows that himself without our telling him. Perhaps you cannot cut off the cost of productions; perhaps that is fixed; maybe those are produced now as cheaply in bulk as they ever will be. The cost experts will tell us about that. How can we get that in just such shape that when we lay it down before a business man he will say, "Yes, I will subscribe to that," and then he subscribes to it to help push it along. You cannot run it without money, and you cannot get money out of people unless you can show it is well worth while.

The Resolutions Committee had no private opinion; it only offered this as something to crystallize the matter because it is time.

In 1838 it would have been folly for an equal number of Abolitionists to have gathered together and said that the time was ripe for a declaration against human slavery. That would have been absolutely nonsense. Eighty per cent of the people believed in it, but when the Republican party was born it was a very good time for the people to get together and make a declaration. Why? To voice the sentiment of the people. Men like to go out and hammer their own way. They would rather outsell a competitor. You are only advancing in business when you admit that there is competition. It is only the other fellow beginning to take your orders; his machinery is a little better, and he is more aggressive; then you begin to recognize competition, and then you begin to get together. Now, you have been hammered together; the fact that we are here shows that, and the lawyer is hammered together with you. The day when the lawyer can make any money is not only a matter of public interest on their part, but it is an intelligent self-interest. The days when men can go ahead by breaking down are gone. If you cannot build up, you belong to the dark ages. That we are all agreed upon; you cannot get away from it. Hold-up men may get money from a man by beating him up once or twice, but the days of getting ahead by holding-up policies have gone. In putting this together we do not want the banker, or the manufacturer, or the steel men, or the railroad men to think they are getting the worst of it. The only

way they will feel they are getting the better of it will be when they know about it.

I haven't any idea who the Chair will appoint on the Committee, but from what I know of the Chair I know the Committee, when appointed, will not reflect the interest of any single man or class of men, and no one would want that. Every line of interest must be taken into consideration, just as Mr. Reynolds told us the other day. The bankers cannot do it, and the merchants alone cannot do it, but you can all get together. By all getting together, and working together, you can formulate a declaration of principles, so that when people see it they will instinctively say that it is good. It is just like the eye of a needle. People have been sewing for 1,300 years, but only since the needle was invented. After the needle was invented why didn't they think of it before; it was so simple. That made sewing possible, but I do not believe there is anyone here quite so wise as to formulate a policy quite so simple, but I do think you can formulate one that we can all see is a correct one when we hear it. It is possible to do it, but you cannot do it in a minute.

I feel pretty strongly upon these glittering generalities in the way of resolutions. You read them and when you get through you don't know what they mean. Maybe business is not quite ready, that it has not been hammered enough. It has been hammered at both ends and the middle to the point where it says it is ready. If not, next year it will have been hammered a little more, and the next year still a little more, because the persons hammering are having a pretty good time doing it. If it is the Sherman law, let us find out about it. If it is because one bank holds stock in another, let us find out about that. If it is because a combination is right, let us find out about that.

I have done altogether more talking than I had expected to. A helpful talk would be where a member feels that he has reached a certain conclusion on a certain matter. I do not expect a man to jump up and say he thinks he can do this, that or the other thing. We will agree on things that we think we ought to have. Now, we want to know how to get them, and how to get them is something that any man who is trying to help has a perfect right to know, and, unfortunately, it is not like going to the doctor or going to the lawyer. There is nobody whom you can go to who can tell you what will help you but yourself, and the reason is there are no busi-

ness experts save those who are in business. A business man's opinion is tested right on the spot, and the bank balance spells whether he knows his business or not. With a lawyer or a doctor that may not be true. A man may go to a doctor and he will prescribe medicine for him, but it may be that the man would have gotten well just as quickly without having any medicine at all. The same is true with a lawyer; a client goes to a lawyer and asks his advice, and accepts it and acts upon it and is satisfied, although the advice may have been wrong as a legal proposition, because it was not really tested out. Your opinions were tested at once. You have to solve this problem for yourselves.

MR. PAVEY: I suggest that we can reconcile what seems to be a difference of opinion. I think the question arose over the question whether this Committee, if appointed, would have power to bind any organization. I take it that if this Congress were to pass a resolution of some specific character, the probabilities are that no delegate has power to bind his organization on any one proposition, and if the organization that he represents did not agree with his individual opinion to which he gave his consent here, then he may not conform to them. The Chairman of the Committee has used an illustration that I think will be of value if further extended. He referred to the adoption of the Declaration of Independence. The colonies sent delegates to a Constitutional Convention to prepare a Constitution. When they had done it it did not bind any state whatsoever. It had to be ratified by all the states, and all they could provide was that if nine actually ratified it, it would take effect; and it did take effect as soon as it was ratified by nine.

It seems to me, laying aside this question of Committee, that if you now agreed on some resolution and every man voted for it, it would not bind the organizations which did not like it. When this Committee shall have been appointed and adopted a platform or constitution, or Bill of Rights, whatever you choose to call it, it will not bind any man here unless it meets his approval. But it might become a very useful document in securing the adhesion of these organizations to a plan of action. Let the Chairman appoint the Committee and discharge this Committee, and then if the Congress wishes to take up some one of my friend Jones' propositions and vote upon it, it will not be in conflict with the work of that Committee to do it.

THE CHAIRMAN: May I further inflict upon you my observations? Those are that 90% of all the resolutions that have been passed during the past number of years by commercial bodies have been directed into the air. The proposition that we have now before us is to have the Committee appointed who will thresh out these questions, bring them before the proper organizations, such organizations as will be members of the general organization, if you please, and when they finally formulate resolutions, those resolutions will be directed to your hired men in Washington, and until you get at those men, until you get at them right, say, with hammer and tongs, to use the familiar expression, you will not accomplish anything, and you never have accomplished anything until you did it in that way. This Committee will take good care to see that the resolutions are directed direct to our law makers. That is the object, really, concretely, I think, of this operation.

A DELEGATE: I have been giving this matter considerable thought for some years, and the gentleman remarked that the question of increase in cost, with a lessening market, was one of the factors that brought these people together. When you appoint a committee, if you care to receive some of the material that I have dug up in the last four or five years, that will convey to your mind the cause of the increasing cost, I will be very glad to submit it. I have never presented it. The economic conditions of to-day were apparent some years ago. I can say positively three years ago. You could have figured out in figures what your economic conditions are to-day. It is not any guess work. It has been demonstrated thoroughly, and I have got them and I can give them to the Committee and they can, perhaps, get some definite idea upon resolutions.

MR. WALLIS: Mr. President, when I came into this meeting as a representative of the National Implement and Vehicle Association, in our discussions in reference to this meeting, we were fearful that the government would be shot too quick. We were rather of the opinion that we would, perhaps, have to use some talk upon the floor, and perhaps some influence with the Resolutions Committee to prevent too much action, too quick action. The Resolutions Committee outdid us all on that end of it, and I think wisely. I am more of that opinion after listening to the remarks that have been made on the floor since the resolution was introduced.

It seems to me that what we ought to aim at as business men in this conference is along the line of a constructive platform which will unite the business interests. If you attempt to promulgate that here within the short length of time the Resolutions Committee had to consider it you would pass something out as a business men's platform which you would find would be almost immediately attacked and you would have no platform and it would be torn into shreds. I had some weeks ago attended a conference in New York City and in an association where the question was up for discussion of the introduction of a simple resolution on that question—one situation. That matter was threshed out, I am told, for about three days. I heard one evening two hours' discussion of it, and I heard the next morning two hours' more discussion of it, before six men could agree upon presenting that simple resolution—one association upon the business situation.

Now, gentlemen, you are dealing here to-day—this is a National Congress; you have the East and the West and the South and the North to take into consideration, and all of its ramifications, and they are intricate and many, and I think the Resolutions Committee are acting wisely in deferring action in the formulation of a platform for the business interests of this country to unite upon. A platform, if you please, along the lines that I recommended in the address that I delivered before this meeting, that would be broad enough in scope to unite the business interests on a platform that could be presented to both political parties as a plank for their platform. You cannot do that hastily; you need time to get the concrete sentiment of the East, the West, the North and the South, and then you may not be able to accomplish it.

There is just one point I would like to touch upon, and I don't know that I understand the resolution thoroughly. This appointment of the Committee to have power to act. It is a little indefinite in my mind as to just how they are to act and for whom they are to act. My own idea of it is that you are seeking practically, indeed, it seems that you are asking for more time for this Resolutions Committee and simply extending more time to report to this Committee; is that it?

MR. FROST: That interpretation might be put upon it. I don't know that the Committee has any very definite idea beyond the fact that it was time to formulate, and when formulated we should get the business sentiment back of it that we wanted. J

think the ordinary form of procedure would be that the platform if formulated would be discussed by every business organization in every form and nature, and see whether it did reflect. It was very vague and indefinite, but it was because the Committee could not do it any more definitely.

MR. WALLIS: I think the resolution should be amended so that that Committee, when appointed, will report to a subsequent call of this Association or this Business Congress.

THE CHAIRMAN: I think we have got to the point now where it would, perhaps, be as well for you to explain to this Congress what has been talked about with reference to absorptions, you might say, of this Congress, by the National Business League of America.

MR. WALLIS: I will be very glad to do that. I will go back a little, with your permission, Mr. President.

THE CHAIRMAN: Yes; I would be very glad to have it.

MR. WALLIS: So that this Congress may have the judgment of the National Implement and Vehicle Association, in their meeting held last October, they felt that the time had arrived when the business interests of this country should get together and act concurrently. They appointed a Committee on Political Action, with the object in view, as specifically stated, of interesting other organizations in this country, and to appoint similar committees and call a joint meeting of all those committees for the consideration of this question. About the time that Committee was appointed the officers of the National Business League of America issued their call for a National Business Congress. Our Committee met and we decided that this was directly in line with the work which we were seeking to bring about, and so we got in conference with the officers of this Association. Since coming to this city the question of enlarging the scope of the National Business League of America, so as to take in various organizations in what might be termed a clearing house—in other words, make this National Business League of America, which has the name, and which stands for the things which you want as business men, make this, instead of any specific local issue which you are seeking to bring out, make it national in its scope; make it a clearing house through which your political affairs may be cleared.

Now, the gentlemen here all represent various interests. I stand here representing the National Implement and Vehicle Association. A gentleman here represents the banking interests of Wall Street; another gentleman represents the merchant marine, and various interests are represented in this meeting. You cannot bring into an association of this kind the absolute specific details of those various and varied interests. You have got to come up through a clearing house with some concrete idea as to what you are going to legislate on universally. In a broad sense it affects those various interests, but there are various ramifications and each one should thresh that out in their respective associations. We are affected in the National Implement and Vehicle Association specifically; it has affected other interests similarly to ours. If that is true, take it up through this clearing organization and let this organization be a clearing house by delegates from your various organizations throughout the country, and let them appoint delegates to come here and let this organization be crystallized into something that will act nationally, and through your Congressmen in Washington.

That, gentlemen, it seems to me, is along constructive lines. If we can get that going, and then get your platform wisely and carefully considered, and put it up to this organization to work out the details as you go along, as to what specific questions you want taken up, and how you want them taken up, we would have an organization right from the ground up. You can organize in any State and you have a clearing house association that will affiliate with this, and then things local in the State will be handled there.

I hope you will change that resolution so that it will be to report back to a continuation of this meeting. Let us not lose the effect of what we have gained here, as you have started here by these papers and this discussion; it is of value and should be continued.

In regard to this clearing house, it was discussed by eight men or more yesterday, and they were all in accord that that was the idea that should be brought about at the adjournment of this meeting.

A DELEGATE: These resolutions should present the sentiment of this Congress and not of the trade associations back of the delegates.

THE CHAIRMAN: That is true.



A DELEGATE: I think, perhaps, there has been some misunderstanding by Mr. Miles and others that we represent those associations in that sense, and that the resolutions would. I do not understand it so. I understand the resolutions simply represent the ideas of this particular meeting. As the gentleman just said, I really feel that this meeting should not go off in thin air. We ought to accomplish something. I do not want to offer this as a suggestion, but this resolution should in some way come back to the National Business Congress, and that could be approved.

MR. GATES: The one thing that has impressed me more strongly in the proceedings of this Congress than anything else has been the unanimity of opinion among all these different men on different subjects and the different associations generally. There does not seem to be any difference of opinion, in my judgment, that could not be easily reconciled by such a committee as provided for in this resolution, and I believe that if such a committee were appointed they would formulate a declaration of principles which could be sent to all these associations and which would be adopted by them. From the practical standpoint I want to give a little illustration of that, because I believe it would work out in the same way.

In 1898 the foundrymen and the manufacturers of this country found themselves sorely oppressed by the moulders' union, and an association called the National Founders' Association was formed. At first it was an association that did everything it could to make agreements and to work in conferences with the moulders' union. As time went on we found a great deal of difficulty in doing that, because we found a great deal of difficulty amongst the members. We ourselves didn't know exactly the ground that we stood on. Here was a great foundry employing a thousand men that had some sort of an idea, and a small foundry that had different conditions, which had some other question and some other kind of an idea, so it was finally impressed upon us that we must find some common platform on which we could stand. A committee, the same as is suggested here, was appointed. That committee formulated a declaration of principles. When they were ready to report a convention was called and the declaration of principles was submitted to that convention. The convention ratified it; they were pleased with those declarations and it was passed unanimously. Then, under the constitution, this declaration of principles was sent to each

member of the Association, with the result that the declaration of principles was adopted unanimously by that Association. That was in 1903, and that declaration of principles has stood until this day, and is still standing and has never been amended. It fitted the case and has been the standard and the rule of the Association from that time on. Now, I believe that that is exactly what is wanted here. I think this Committee should formulate this declaration of principles. It should then be submitted to a convention, if you please, and ratified by that convention and then submitted to the individual members of all these subscribing associations. I don't know of any way in which you can so quickly and thoroughly get before all those who are interested in it and get exactly the information that the Committee wants.

MR. SECHLER: It has been pretty well advertised that here are representative organizations of the United States, and we are going to establish a declaration of principles that we stand for. It has been pretty well advertised in the papers, and now what is the cry? That we had not said enough, or we did not know enough about what we wanted, so we referred it to a new committee to report to somebody else in the sweet bye and bye. Mr. President, I think whatever the opinions or differences of opinions have been in the Resolutions Committee, it was their place to report to us the resolutions before them, either with or without recommendations, and let us pass our opinion on them. We have an opportunity now that we will not have repeated. We cannot get so many bodies together again as this in the next year, and if this new committee is to be appointed, they can make recommendations and send them to the various parties, the different bodies in this organization, but we will have no meetings for months to come. I believe the manufacturers' meeting in May next is the first one. The National Implement and Vehicle Association meets next October. What impression is our action here going to make on Congress? It comes out as a confession that we don't know what we want. I make an amendment, Mr. President, to the motion to appoint that Committee that the matters under consideration at this Congress be referred to the National Business League of America for its action.

MR. BANNISTER: I would like to say just a word in reporting the resolution, and in doing so, to explain it. In addition to being a manufacturer, I have sometimes had the pleasure, and some-

times the displeasure, of being an officer in the organization of manufacturers for the last seven and a half years. For seven and a half years we have tried to find out what we could do, and do rightfully and legally. I do not think that any manufacturer of any prominence who has had his ear to the ground is at all surprised at the conditions as they exist to-day, if he were thinking about it three years ago. I think almost any one could have pictured about this condition, particularly within the last three years. We have taken counsel upon counsel, and we find one counsel tells us to do something, and, before we can get into action upon it, there is some court decision that will show us that if we did it we would probably all go to jail. So, it would seem to me, that this was a very wise movement, and I disagree with my friend, Mr. Sechler—whom I know very well and who has just spoken here—that it would be impossible to get an organization of this kind together very soon. I venture to say that within three months from now, or within one month from now, if a call were sent out you would have a better representation of the manufacturers and business interests of this country than you have here to-day. I sincerely believe this, because I have been one of the kind that has been hammered here and hammered there until we would like to know exactly what shape to assume. We have had little hats and big hats, and in the latest style. The ladies don't know just where they are, and we don't know just where we are. Now, if we can have a wise committee—as I have no doubt the Chairman will appoint—which will study over this proposition for us and then put it up to us and say, Now we can work upon this line or that, we would be ready to work with all energy there is in us—and my experience has been that there is a good deal of energy in us when we once get started the right way.

MR. DOLD (of Buffalo): Mr. Chairman, I think it would be wise if this Congress adjourned without formulating a solid, firm plan. It would be iniquity if they followed the example of some form of our legislators and enacted a dream into a law the next day. I believe the Resolutions Committee acted very wisely in not attempting a world-wide problem in a few hours. To me the plan seems best to appoint this committee, in the discretion of the Chairman, and let them formulate the resolutions, send them to each organization composing this Association and ask their directions to act upon them, and then ask them to submit the resolutions to their members. When that information comes back—it is not a small job,

I realize—when that information comes back this committee can then propose a foundation that will mean something, that will stand for something, and if it is criticised point back to the fact that this represents so many organizations, representing so many people.

I was sent to this Congress uninstructed by the Chamber of Commerce of Buffalo. They evidently had confidence in my judgment. I would not feel like passing upon some resolution that would practically represent the opinion of our three thousand members, or the hundred thousand members of this organization; and yet I believe the time has passed for business men to stay at home and whisper down the well or holler up a chimney. I believe, to use the words of our townsman, President Cleveland, a condition and not a theory stands before us today, and that the sooner business men get together and show those who are acting unfriendly to the interests generally, that they have ideas they can unite upon, and they propose to do so, the sooner the business man will become a factor and not—I was almost going to say, the laughing-stock of some of the politicians. That is the way I look at this matter at this time.

MR. BANNISTER: I believe what the gentleman from Buffalo has stated is along the same line. The National Economic Society I believe, has done the same thing; bankers and others, and asked them to indicate the order of their preference on those questions, which ultimately simmered down to eleven. I think some similar result can be obtained by this organization in the same way.

MR. DOLD: As far as the Chamber of Commerce of Buffalo is concerned, I agree that if the meeting were called in a month or two, I believe with the gentleman over there, that with a proper call and energy, with push to it, it would bring one or more representatives from every association, which would make us five hundred representatives here instead of one hundred.

MR. BOOTHE (of California): Mr. Chairman; we are endeavoring to justify the report of the Resolutions Committee, which hardly seems necessary, perhaps, after what the chairman has said. The Resolutions Committee was appointed by the President of this organization, and when we convened we looked around at each other and we felt we had a wise President. He has justified his position by the character of the men he has appointed on his committee.

We took the matter up with the greatest zeal and hopefulness, and, after a great deal of discussion, it was resolved that each one should submit some form of resolution that would embody what he wanted, and, after more or less personal consultation, it was discovered that the time was too short to thoroughly consider such a matter. It grew as we considered it. I did not recognize or consider the fact that it would be easy to offer a resolution here which would add to the perplexities of the business men of this country. It is not so easy to offer resolutions which would get them out of their perplexities. As a result, this resolution was formulated and unanimously passed. There was no disagreement between the members of the Resolutions Committee, but we felt that if four men, or five men, could think of so many things they could do but had not the time to do—I want you to understand there was no lack of ability to formulate resolutions in the least, we all felt we could do it, but we felt if it were left to the President, he could appoint a larger committee of ten and give them more time and not encumber them with any instructions, that they could bring together something that the business men of the country, a large number of them, a large majority of them, would find would meet their requirements. The reason that in that resolution many of the things that have been proposed by these gentlemen here were not included was, we thought, and we think still, that a committee of ten would have other ideas, and for that reason the matter was left to the committee to take up, feeling that with the time to consider they would arrange for consultation with different organizations and would formulate a better way whereby this splendid organization could be conducted in some form. I would like to add to the resolution, if it is permissible, that the President of this organization shall be a member of that Committee of ten which he will name.

THE CHAIRMAN: Two amendments have been offered to this resolution. Is there any second?

(The amendment was duly seconded.)

MR. DOLD: May we have the resolution read once more?

MR. FROST: "*Resolved*, That the President of this National Congress be, and he hereby is, authorized and directed to promptly appoint a suitable committee to formulate a declaration of principles and purposes which will reflect the necessities and demands of

the commercial, industrial and business interests of our country; and that your Committee on Resolutions be discharged."

MR. BANNISTER: I would like to move to amend that by having the President of this Congress made a member of that committee.

MR. EWELL: I agree with the sentiments of the gentlemen representing the Congress on these resolutions, but I do think that there are some specific matters that have been so thoroughly threshed out that it might be very desirable if this Congress, before adjourning, pass a resolution on an important particular matter, and that particular matter which I have in mind is the question of an American Merchant Marine. The reason why I would like to bring that in here, and would like to make this exception, is the fact that myself, and Mr. John D. Long, under the auspices of the American Manufacturers' Association, have discussed this matter before the Chambers of Commerce and Boards of Trade all over this country, from Worcester, in the old Colonial State of Massachusetts, and from the Lakes to the Gulf, and, in nine cases out of ten, those commercial bodies have passed resolutions favoring an ocean mail contract. I was not asked to suggest the means, but I would like, at this moment, to suggest a means which would give us a Merchant Marine, in about two minutes' consideration. I do not wish to go into any long discussion of the matter at all.

THE CHAIRMAN: I would like to hear from you, Mr. Ewell, on that subject.

MR. EWELL: And that is that we have an ocean mail contract, that is precisely what we have here today, which we obtained under the Harrison Act in 1891. It is not a subsidy. The ocean mail which we have now, should extend to steamers with ten or twelve or sixteen knots speed to go on a long voyage, for example to South America, and Australia and the Orient, because it is utterly impossible to run those high-speed steamers twenty knots, as is provided under the present Act which gave us the St. Paul and St. Louis, the only good boats we had, practically, in the Spanish war. We got those boats under that Act.

Now, what we are trying to bring about in Congress, is to give us an Ocean Mail contract that will provide four or five dollars a mile for steamers of sixteen knots speed. That would be practical;

\$4.00 a mile has been suggested. Such a bill came within three of passing Congress, as you all know, only a little over a year ago. There were only three votes against it. The Ocean Mail Bill, proposed by Senator Gallinger, did not reach the House, but it provided for such a measure, and it has been the consensus of opinion of this great commercial business that an Ocean Mail contract on those lines would give us an American Merchant Marine, and I would like to except from this general resolution that you are offering to be passed here, the matter of offering, presenting a resolution here by this committee, drawn up, to be passed by this Congress, that would give us an Ocean Mail contract, similar to that suggested in the Gallinger Bill.

THE CHAIRMAN: Mr. Ewell, will you step to the front here and dictate a resolution just as you would like to have it?

MR. EWELL: Yes, sir.

MR. WASHINGTON: Mr. Chairman, I doubt the wisdom of having any resolutions adopted and reported back to this Congress at an adjourned Congress for its action; and in order to get at the sentiment in respect to that, I desire to move to amend the resolution, by adding thereto, in the appropriate place, the words: "And that resolutions so formulated, shall be reported back to this Congress at an adjourned session, to be held within six months from the present date—to be held at the call of the Committee upon completion of its work."

My reason for suggesting six months, was to give them all the time possible and still have the work completed and the results of the efforts of this committee given to the people of this country before the National Convention of either of the great political parties.

THE CHAIRMAN: There is another amendment offered here.

MR. FROST: I have that amendment.

THE CHAIRMAN: Mr. Washington's amendment?

MR. FROST: Yes. See how this would do: "And that such declaration of principles and purposes shall be reported back to this Congress;" do you want to put the limitations within a certain time?

MR. WASHINGTON: Perhaps that is not necessary.

MR. FROST: I might make one explanation with reference to the committee. There is nothing said about reporting back to this Congress. The Committee felt that the Congress ought to determine for itself whether it wanted to reassemble, or the committee determine that, and especially representing the National Business League of America, which called the conference, the Committee did not want to be in a position of any apparent precluding of the judgment of anybody, and we rather felt, a Committee of eight, which would be wise to carry on another conference would call one. Of course, if that meets with the approval of the body, I suppose it would be a pretty good thing.

MR. VOPICKA: I second the motion, Mr. Chairman.

THE CHAIRMAN: You have heard the motion. All in favor say Aye. Contrary, Nay. Carried. That is on Mr. Washington's amendment.

MR. FROST: There was one other amendment which was made and seconded, and that was that the President should be a member of that committee.

MR. VOPICKA: I second that motion.

The motion was duly carried.

MR. JOHNSON: Unless there are some objections, I think it will be a good idea to endeavor to get at least 500 here, representing all the organizations, and have this adjourned meeting in Washington City, and have the business of the Association in the form of resolutions presented there as a body.

MR. VOPICKA: You would get a larger crowd here than you would in Washington. I agree that they have the right to select the place of meeting. You might just as well leave it to the Committee for decision here as anywhere else.

THE CHAIRMAN: The question is on the amended resolution.

MR. FROST: I will read the resolution as it now stands:

*"Resolved*, That the President of this National Business Congress be, and he hereby is, authorized and directed to promptly appoint a suitable committee (of which the President shall be a member), to formulate a declaration of principles and purposes, which shall reflect the necessities and demands of the commercial, indus-



trial and business interests of the country, and that such declaration of principles and purposes shall be reported back to this Congress; and that your Committee on Resolutions be discharged."

MR. SECHLER: What number of members is to be on the Committee?

MR. FROST: The Committee has always been a suitable Committee. There has been no limitations on its numbers. The object was so that it would be large enough and broad enough, because of the diversity of interests it represents, to get the real consensus of opinion. Now, whether that should be ten or twenty, I think nobody in this body definitely knows.

MR. DOLD: Mr. Chairman, I would like to know if that contemplates requesting ideas of all the members of this body of the organization, so when you are through they have had nothing to do with it?

MR. FROST: I think that contemplates sending out, not only to every business organization represented here, but to all business organizations of the country, and have not only the approval of every organization, but of every member of the different organizations, so when it comes back it will be something that every man will stand by, just as he stands by his Bible or religion, or party belief.

MR. DOLD: Should not that resolution be amended in that respect?

MR. FROST: The only trouble about that is the character of the committee you would get. I do not think you should hamper that committee, because it is going to be a pretty broad-gauged one, and I feel that the committee that voices the sentiments of this body is going to do the very best thing they can do.

THE CHAIRMAN: You have heard the resolution, Gentlemen. The motion was duly carried.

MR. WASHINGTON: Mr. President, I move that when we adjourn, we adjourn subject to the call of the Chair.

(Which motion was duly seconded and unanimously carried.)

MR. SECHLER: I move that a vote of thanks be extended by this Congress to the National Business League of America for the very elegant entertainment they have given us, in the way of attend-

ance at the first theatrical performance, the opera and the banquet to be given tonight.

MR. BANNISTER: I second the motion.

(The motion was duly carried.)

MR. EWELL: My distinguished brother here has suggested it is getting so late we better defer that resolution.

THE CHAIRMAN: Mr. Dold, of the Jacob Dold Packing Company, has a short paper which he would like to read to you.

## THE PACKING INTERESTS.

MR. JACOB DOLD: Mr. Chairman and Gentlemen—I had intended, among the five-minute talks allotted to members, to bring us a subject which I believe is as near to this organization of business as it is to me in my profession. It rather stretches itself out to six or eight pages which I can probably read in from eight to ten minutes, if I may transgress upon your time to this extent.

I came here expecting to be an interested listener, and then go home and report to the President of our Chamber of Commerce, as its delegate to this convention, accordingly.

However, the broad, generous, commercial spirit which has pervaded this assembly of the brainy thinkers among those who do things, and create something in this world, has been most inspiring; and even those of us who worry along at home in our daily channels of activity, are forced to the realization that the putting up of our shutters at night, after the day's business, does not by any means complete our whole duty, our larger civic duty, either to ourselves or to our fellow men, and business associates in the community.

Prompted by these sentiments, it occurred to me to utilize this opportunity to state a few facts and add a few words in behalf of our fellow business men now on the Anti-Trust grill, the Chicago Packers, and I do so purely out of the natural sporting desire we all have in us, to see fair play for both friend and foe.

Our firm has nothing in common with the large packers. We compete keenly in all territory for the business, and they force us with their enterprise to do more business than we really care to, but

candor compels me to admit their competition is generally fair and reasonable.

The Dold Packing Company is classed among the "little fellows" in the packing business—the so-called independents. We have plants in the East and in the West. We handle about 1,000,000 head of live stock a year, or say around \$25,000,000 of business, and while this is small, compared to the magnitude of the larger packers centering at Chicago, the distribution of even this amount of product spreads over 1,000 market points in the United States and Europe, brings us into such close competitive contact with our competitors that, with our eyes always open to protect our interests, it may safely be presumed that we at least know what is going on in the meat line.

Admitting there would be more stability and more comfort in this very closely figured business (requiring a large tonnage with comparatively small returns on the daily turn-over), if everyone in the trade could be allowed to get together now and then and talk matters over in a frank and fair manner, yet were I placed before any tribunal, I could not truthfully say there was apparent any real evidence of the fixing of prices among the large packers to the studied and intentional detriment of the small, or "independent" packer.

I have not studied closely into the merits of the proceedings now going on against the large packers in Chicago, being only a naturally interested spectator, yet it does seem anything but reassuring to the stability and safety of our large manufacturing interests of all classes to see a bunch of busy men, not non-producers, but men of constructive ability, creators of industry, and who, whatever their shortcomings may have been, have surely done much to promote the country's industry and benefit its labor as well as the consumer, since never in the history of this industry has the producing margin between the farm price and the price to the dealer, been so small and narrow, or fresh meat so generally obtainable, thus benefiting both producer and consumer—to see such men thus forced to neglect their business, to be treated like ordinary criminals on such seemingly technical grounds for prosecution, and especially so to those who, from rubbing up against the buying and selling end of their business day by day in the keenest and sharpest competition, can discern no evidence in their trade doings to indicate that in actual practice they are by unfair means stifling competition in the meat

line or fixing prices to either increase the cost of meat to the consumer, or to drive competition out of business. And it seems obvious they could not very well kill both these birds with the one stone.

As among the strongest and most adhesive competitors they have in the fresh meat line, I don't mind indicating to you how they have stifled the business of my own firm of oppressed and down-trodden butchers.

In 1902, ten years ago, we handled a total of 313,000 head of live stock. In 1912, we will run nearly 1,000,000 head, and the increase has been steady, year by year.

In tonnage, the figures in 1902 were 50,591,000 pounds; in 1912 they will run over 200,000,000 pounds. In volume of business, 1902 shows a little under \$5,000,000.00, while last year it ran over \$22,000,000.00.

The bidding on government contract, although open to everybody, is generally considered a big firm's job, and if combination in any branch of the business were easy, it would be so in this. We first got into the game in 1905 with 100,000 pounds, and year by year this was increased until the chunk pried loose from our trade-stifling competitors ran up to 1,259,000 pounds.

And now that we are talking frankly as among business men, I don't mind mentioning a few figures, which become public record after bids are awarded—showing that in the last Navy contract let for bacon, the bids ran thus:

M. ....	\$ 95,147.00
S. H. ....	96,036.00
S. ....	96,346.00
D. ....	97,563.00
A. ....	105,812.00

a variation of \$10,700.00, or over 10% in a business whose earnings on the turn-over run around two or three per cent net.

In last bids for Army supplies they ranged from \$12.35 per cwt. up to \$13.62, with practically all of the packers bidding, and, by the way, this time we got in, being the lowest bidders.

And these are fair samples of the periodical bidding as far back as our records go.

So much for my firm having been stifled and side-tracked by the "Beef Trust Barons." And what is true of ourselves, is true of every small and medium-sized packer who has pushed his business in aggressive spirit and adopted modern up-to-date methods

and systems, and there are probably many of those who could, no doubt, show as large or even better progress.

And had there been a real grievance we, or any of the above, as the really injured parties, would surely have been the first to make a holler, since, being neither bashful nor under any obligations to the larger packers, there would have been every reason for us so to do and none to withhold a kick if properly coming.

Now, as to combining on prices: when I tell you that  $\frac{1}{8}$ c per pound of net profit, actually made on every pound of product we can produce would yield 16% to 20% on our capital stock, and that if we could be guaranteed  $\frac{1}{4}$ c net profit for ten years, we would agree to retire. You may judge for yourself on this point, and probably conclude with me that if there really was a sure-enough combination to fix prices, no bunch of combining rascals, having the power to do so, would be chumps enough to stop at a little dinky one-eighth cent per pound. A quarter of a cent per pound added to the meat bill, would cost the average family about five cents per week, the price of a "chromo."

A large volume and a close margin on the average turn-over throughout the year is, in the nature of this business, with its ups and downs of market fluctuations, of supply and demand, of the fickleness of the public appetite, and, under present rigid government inspection of meats, the uncertainty, after you have paid the honest farmer your good money at full values, as to whether the carcass will pass the inspection or will be chucked into the grease tank, and at your own loss, of course.

In this connection I may mention that from fifty to seventy-five thousand pounds of food products are now condemned and practically confiscated per week at one of our plants only, while the total for all packing in the United States is estimated to reach probably the enormous aggregate of 100,000,000 pounds for the year, with practically no redress, the packer standing the entire loss.

This, in many cases, we believe useless and wanton destruction of food products, the same which the State allows the uninspected packer or butcher next door to sell freely and without tangible evidence of harm or dissatisfaction on the part of the consumer, accounts in a large measure for shortages in the meat supply; while the cost of distribution from the dealer to the consumer has been greatly enhanced because the majority of them, since the fashion of going to the market personally with a market basket on his arm,

nowadays, expects nickel-plated fixtures in his shop, demands principally the best cuts, say 26% of the carcass—only—with automobiles to deliver in—asks you to come to his home for the order, deliver the meat at a certain hour (a sort of individual delivery); wants you to send a man to solicit, and oftentimes asks you to drive up right away and exchange it.

People don't seem to realize that all this costs money, costs enormously, and contributes in a very large degree to the high cost of cheap living, and some one has to pay for it, and, naturally, it is the consumer.

And as to the poor, down-trodden farmer—and, by the way, we haven't heard much of him since the very high prices of live stock the past year or two—it is surely hard for us to feel bad for a producer supplying the raw product on the basis of making us pay—and he did make us pay—about \$30.00 for an animal that probably did not cost him over \$15.00 to produce, as was the case last year when the people, led by some of the press, and by some of the politicians, were yammering against the high cost of living and blaming the packer who actually suffered a heavy loss on every pound of meat produced.

There is just one more item. I understand the packers are also charged with fixing prices on products sent to branches through the medium of what is known to every packer shipping to branches, as the "request price," or, in other words, the "guessed price"—since we had to guess at what the salesman will finally get for the profits and also what the buyer will pay for it.

One of the earliest records we have of selling beef in the old-fashioned, slip-shod, catch-as-catch-can way, was when a lad by the name of "Jack" swapped the family cow for a few beans, simply because nobody had posted him as to the probable market value of the animal. And the family would probably have "gone broke" had not the story-teller helped him out, and in something like the way the so-called beef trust is charged with doing.

The modern and practical way to market the cow nowadays is for Bill to get about \$30.00 for "that air critter," and if he cannot do that, do the best he can, and if Bill comes home with \$27.50 or even \$25.00, the farmer feels he has "done well."

Now, that is what the packer, either large or small, has to do when shipping products to the often uncertain business ability of the salesmen at the other end when matched up against the shrewd,

practical butcher, who is usually an expert business man, and a close sharp buyer.

Cattle are often killed one day and shipped the next, which does not always give time to figure out the exact cost of dressed beef before delivery.

Then in a bunch of, say 100 cattle, even though shipped from the same feed lot, there are likely to be from four to half a dozen different qualities, or "grades" we call them, each with a separate, intrinsic market value. Therefore, the "request price," or "guess price" on the probable price the product should fetch when sold on the market by the salesman.

He could not, by any means, be expected to be held firmly to that price, since the fluctuations of the market, the influence of the weather, supply and demand, and the factor of general competition are far too uncertain and must be considered—he is simply expected to do the best he can.

And if, by chance, he does now and then get full or better than the "request price," we look upon it as a sort of windfall, and feel that he "did well."

Gentlemen, I thank you. (Applause.)

The following communication was read, as indicating the enormous harm the present agitation is likely to do, both to the packing interests and the live stock interests of this country, and indirectly to general business:

"WAR OFFICE, LONDON, S. W.

(Ref.)

16th November, 1911.

Contracts Firms A-979-2:

Gentlemen: In reply to your letter of the eleventh inst., I am directed to inform you that pending the ultimate of the proceedings in the United States of America, against certain meat-packing firms, it has been decided that none of the firms involved shall be invited to tender for Army supplies.

I am, Gentlemen, Your Obedient Servant,

(Signed)

N. F. B. OSBORN,

For Director of Army Contracts."

THE CHAIRMAN: We stand adjourned until this evening.

## THE CONSULAR SITUATION.

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BY AUSTIN A. BURNHAM, GENERAL SECRETARY OF THE NATIONAL  
BUSINESS LEAGUE OF AMERICA.

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(Presentation omitted for lack of time before the Banquet.)

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Mr. Chairman and Gentlemen of the Congress:

Since the organization of this Government, until the year 1906, appointments to the American Consular service were made more upon grounds of party service and party affiliation, than for fitness.

While the nation was young, however, and our foreign trade activities were comparatively few, the necessity for an efficient consular service was not keenly felt, and the spoils policy of the appointing powers was endured without emphatic protest; but, as our foreign commerce became an important factor of our progress and prosperity, and the demand for larger foreign markets increased, the need of a thoroughly competent consular service became imperative, for upon the business ability of the consul his value to his country depends; not that he is expected to sell American products, but to discover and report opportunities to that end.

The need for a higher standard of efficiency finally became so acute that, about twelve years ago, there was a nation-wide organized effort on the part of business interests to secure enactment of a law that would result in placing the consular service on a permanent merit and business basis; making qualification the test for appointment and achievement the open sesame to promotion.

Since the movement began many consular bills have been introduced in the Senate and House; most of them contained merit provisions; a few were reported with amendments, but died on the calendar; the remainder were pigeon-holed by the committees in charge with the exception of the comprehensive Lodge Bill, No. 1345, which, after being stripped of all its merit provisions by the Senate Committee on Foreign Relations, was enacted April 5, 1906. The discarded merit provisions of the Lodge Bill, however, were incorporated in President Roosevelt's executive order of June 27, 1906, and made operative on that date. Whatever improvement has been made in the consular service since that time must be credited to the executive order. Soon afterward, during the Sixtieth Congress,



business interests commenced a vigorous campaign to secure enactment of an adequate law, by the introduction of the Hopkins-Lowden bill, which was not reported. The Cullom-Sterling bill followed in the Sixty-first Congress, but that measure was laid on the table by the Senate Committee on Foreign Relations on the alleged grounds of unconstitutionality, January 26, 1910, and the action of the committee given to the press. So far as we are advised, this was the first public statement of that committee to the effect that that, or any of the consular bills previously introduced, was unconstitutional.

Taking the rejected Cullom-Sterling bill intact, the National Business League of America has incorporated with it provisions grading the secretaries of the diplomatic service, placing them under the merit system somewhat similar to the general plan of the Executive Order, issued by President Taft on November 26, 1909, and framed the new Bill S. 3621, introduced by Senator Nelson of Minnesota, December 11, 1911, the same being identical with H. R. 15,925, introduced by Representative Foss of Illinois, December 15, 1911. Briefly stated, the bill, the merit principles of which have, for many years, been endorsed and urged by every business interest in the United States, and recently by the American Chamber of Commerce in Paris and American Association of Commerce and Trade in Berlin, provides:

First—Appointment of candidates, within reasonable age limits, to the lower grades of the service, after thorough examination. All candidates to be designated by the President for appointment, subject to examination.

Second—Vacancies in the higher grades of the consular service to be filled by promotion from the lower grades on the basis of efficiency.

Third—Creation of an Examination Board with rules for examination of candidates.

Fourth—Complete Americanization of the service.

Fifth—Appointment of consuls and consul-generals to grades instead of to places; designation of places to be made by the President.

Sixth—The Government to pay the actual expense of transferring a consul, his family and effects, when ordered to a new post.

Seventh—Grading the Secretaries of the Diplomatic Service, with fair compensation. Appointment and promotion to be under

examination rules and records for efficiency, similar to those provided for the consular service.

Eighth—As between candidates of equal merit, proportional representation of all the States and Territories in the consular service. Political affiliations of candidates not to be considered.

#### THE LOWDEN BILL.

Near the close of the third and final session of the Sixty-first Congress, Representative Lowden of Illinois introduced a short form bill, which provides for the classification and compensation of Secretaryships in the Diplomatic Service, with provisions for examination, appointment and promotion, covering the consular service also. The bill requires the Secretary of State to publish, for the information of the President, a list of candidates who have passed a creditable examination; but there the matter might rest, as the bill, if enacted, would impose no obligation whatever upon the President, nor upon the Senate, to appoint or promote from the published list. The bill provides for an Examination Board, but does not provide for an examination rating-scale, or for an age limit to determine eligibility, and age largely determines the measure of fitness and length of efficient service. No provision is made for the complete Americanization of the consular service, nor for the appointment of consuls and consuls-general to grades, instead of to places, nor for the transfer of a consular official, his family and effects, from post to post, at the expense of the Government, all of which are included in the Nelson-Foss bill.

So far as placing the consular service on a permanent merit and business basis, through the inevitable changes of party administration, the Lowden bill, if enacted, would be "more honor'd in the breach than the observance."

Notwithstanding the Senate Committee on Foreign Relations has pronounced the merit provisions of the Cullom-Sterling bill, now incorporated in the Nelson-Foss bill, unconstitutional under that section of the Constitution which provides that "The President shall nominate, and, by and with the advice and consent of the Senate, shall appoint consuls," it is not believed that the Nelson-Foss bill would interfere with the Constitutional right of the President to nominate and appoint, nor with the right of the Senate to advise and consent, as the merit system as incorporated in the Nelson-Foss bill simply regulates the exercise of the constitutional

power and protects the President and the Senate against the appointment of incompetent men to the foreign service, by providing that only those candidates who have been designated by the President for appointment, subject to examination, and have passed with credit before an Examining Board, shall be eligible for appointment to the lower grades of the foreign service.

The only objection to a consular law which would obligate the President and the Senate (as would the Nelson-Foss bill) being a question of constitutionality, the crux of the situation is simply a matter of interpretation of the spirit and purpose of the Constitution. In this connection, as showing certain broad views of the limits of the Constitution, by eminent authorities, the following quotations are submitted:

President Taft at Augusta, Ga., just before his inauguration, said: "That Constitution, simple, clear, and comprehensive, has in the past been capable of so fair construction as to meet in a marvelous way the developments and emergencies of our country, which could not have been anticipated by those who framed it, in any detail at all, and I am certain that the same Constitution will meet the emergencies which may come in the future."

Again at New York: "When we examine that wonderful instrument, we find that the men who made it, made it short, comprehensive and simple, that it might be open for us to carry out what the future had in its womb—problems of which they could see only the hazy outlines."

Those patriots in homespun, the authors of the Constitution, with their simple needs, planning for the future of a mighty nation, then in embryo, saw but the distant headlands of the future. They could hardly "look into the seeds of time and say which grain would grow and which would not." They wrought as best they knew, leaving posterity to supplement by enactment such details to the general plan as conditions might, from time to time, demand, without, however, violating any of the provisions of that remarkable document.

Another eminent authority was Mr. Justice Story of the United States Supreme Court, who referred to the general character of the Constitution as follows:

"The Constitution unavoidably deals in general language. It did not suit the purposes of the people, in framing this great charter of our liberties, to provide for minute specifications of its powers,

or to declare the means by which those powers should be carried into execution. It was foreseen that this would be a perilous and difficult, if not an impracticable, task. The instrument was not intended to provide merely for the exigencies of a few years, but was to endure through a long lapse of ages, the events of which were locked up in the inscrutable purposes of Providence. It could not be foreseen what new changes and modifications of power might be indispensable to effectuate the general objects of the charter; and restrictions and specifications, which, at the present, might seem salutary, might, in the end, prove the overthrow of the system itself. Hence, its powers are expressed in general terms, leaving to the legislature, from time to time, to adopt its own means to effectuate legitimate objects, and to mold and model the exercise of its powers, as its own wisdom and the public interests should require."

In an argument for the enactment of a Lodge bill, before the Committee on Foreign Affairs of the House of Representatives, January 25, 1900, the late John W. Ela, then the General Counsel of the National Business League of America, referred to the Constitutionality of the merit system as follows:

"The question of the constitutionality of a law which requires the appointments of consuls to be only made from persons who have passed an examination—in view of the fact that the Constitution puts the appointment of consuls into the hands of the President, with the approval of the Senate—has, I know, been raised at various times.

"Upon the examination of this question we believe that even if a bill should be so framed it would not be held unconstitutional. The question has not been raised in the Supreme Court of the United States, but there are decisions of state supreme courts that requirements of the same character in civil service laws which direct that the appointment shall be made of one out of three applicants, found to be fit by examination, do not take the power of appointment away from the appointing officer, but are merely regulations for ascertaining qualifications, and are constitutional.

"The same principle seems to have been acted upon by Congress in its legislation on consular matters, for in 1855, and later, it has prescribed where consuls shall be sent, and their rank and salaries."

While it is true that in the cases before the state supreme courts, above referred to, the offices were created by legislative enactment, not by constitutional provision, yet the constitutionality

of the merit principle of examination, appointment and promotion, as involving all branches of the public service, federal, state and municipal, is clearly indicated and emphasized in the course of an opinion delivered by the late Mr. Justice Peckham (then Justice of the Supreme Court of the State of New York; later Associate Justice of the United States Supreme Court) in the case of *Rogers vs. Common Council of Buffalo*, *supra*, as follows: "Looking at it as a matter of common sense, we are quite sure that the framers of our organic law never intended to oppose a constitutional barrier to the right of the people, through their legislature, to enact laws which should have for their sole object the possession of fit and proper qualifications. for the performance of the duties of a public office on the part of him who desired to be appointed to such office. So long as the means adopted to accomplish such end are appropriate therefor, they must be within the legislative power. The idea cannot be entertained for one moment, that any intelligent people would have consented to so bind themselves with constitutional restrictions on the power of their own representatives, as to prevent the adoption of any means by which to secure, if possible, honest and intelligent service in public office."

As the appointing power for the Consular Service is vested equally in the President and the Senate, and the President designates for appointment, subject to examination, upon recommendations of the Senators, there seems to be no valid reason why the Chief Executive and the Legislative branch of the Government should not agree upon the enactment of a consular measure making permanently operative the merit principles of the Executive Orders, as provided by the Nelson-Foss bill. Any consular law, optional with the President and the Senate to obey or disregard, would prove to be absolutely worthless so far as permanence is concerned.

Executive Orders are simply temporary rules of action for the formulation and operation of a system for the general welfare, pending enactment of adequate legislation. The merit system as now applied to the consular service, is an unqualified success. Our national legislators admit it, yet, while extolling the present high standard of appointments, deplore the only means yet suggested to make that standard secure for all time.

The efforts of business interests to secure enactment of an adequate consular law, constitute a leading factor of the struggle to

permanently substitute the "Merit System" for the vicious "Spoils System" in the selection of American citizens for the public service.

Adherence to the merit system, under a national statute, will give to our foreign service "Tall men, sun crowned," who will carry American prestige, good will and commercial supremacy to the remotest parts of the world.

The "Spoils System" offers a premium for dishonesty, extravagance and incapacity. It is even responsible for high crimes and misdemeanors. It has nerved the arm of the assassin to strike down the Chief Executive of more than one great nation. American business men should rise in one united effort and retire it forever from the appointive and legislative powers of American government.

#### THE NELSON-FOSS BILL.

S. 3621—H. R. 15,925—Sixty-Second Congress.

For the Permanent Improvement of the Consular and Diplomatic Service.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the consular and diplomatic system of the United States be reorganized in the manner hereinafter provided in this Act, and under such rules and regulations, not inconsistent herewith, as shall be prescribed by the President, subject always to the advice and consent of the Senate.

Sec. 2. That vacancies in the office of consul general and in the office of consul above class eight shall be filled by promotion from the lower grades of the Consular Service, based upon ability and efficiency, as shown in the service. Vacancies in the office of consul of class eight and of consul of class nine shall be filled—

(a) By promotion on the basis of ability and efficiency, as shown in the service, of consular assistants and of vice consuls, deputy consuls, consular agents, student interpreters, and interpreters in the Consular and Diplomatic Services who shall have been appointed to such office upon examination.

(b) By new appointments of candidates who have passed a satisfactory examination for appointment as consul, as hereinafter provided.

Sec. 3. That the Chief of the Consular Bureau, the Chief of the Bureau of Manufactures of the Department of Commerce and

Labor, and the Chief Examiner of the Civil Service Commission shall constitute a board of examiners for admission to the Consular Service.

Sec. 4. That it shall be the duty of the board of examiners to formulate rules for and hold examinations of applicants for admission to the Consular Service. The scope and method of the examinations shall be determined by the board of examiners, but among the subjects shall be included at least one modern language other than English; the natural, industrial, and commercial resources and the commerce of the United States, especially with reference to the possibilities of increasing and extending the trade of the United States with foreign countries; political economy; elements of international, commercial, and maritime law. Examination papers shall be rated on a scale of one hundred, and no person rated at less than eighty shall be eligible for certification. No one shall be examined who is under twenty-one or over forty years of age, or who is not a citizen of the United States, or who is not of good character and habits and physically and mentally qualified for the proper performance of consular work, or who has not been specially designated by the President for appointment to the Consular Service subject to examination.

Sec. 5. That whenever a vacancy shall occur in the eighth or ninth class of consuls which the President may deem it expedient to fill, the Secretary of State shall inform the board of examiners, who shall certify to him the list of those persons eligible for appointment, accompanying the certificate with a detailed report showing the qualifications, as revealed by examination, of the persons so certified. If it be desired to fill a vacancy in a consulate in a country in which the United States exercises extraterritorial jurisdiction the Secretary of State shall so inform the board of examiners, who shall include in the list of names certified by it only such persons as have passed the examination provided for in this Act, and who also have passed an examination in the fundamental principles of the common law, the rules of evidence, and the trial of civil and criminal cases. The list of names which the board of examiners shall certify shall be sent to the President for his information.

Sec. 6. That it shall be the duty of the board of examiners to formulate rules for and hold examinations of persons designated for appointment as consular assistant, or as student interpreter, and

of such persons designated for appointment as vice consul, deputy consul, and consular agent, as shall desire to become eligible for promotion. The scope and method of such examination shall be determined by the board of examiners, but it shall include the same subjects hereinbefore prescribed for the examination of consuls. Any vice consul, deputy consul, and consular agent now in the service, upon passing such an examination, shall become eligible for promotion as if appointed upon such examination. All proposed promotions in the Consular Service shall first be approved by the examining board, which shall be advised by the Chief of the Consular Bureau in regard to the service records of the candidates for promotion. No promotion shall be made except for efficiency, as shown by the work that the officer has accomplished, the ability, promptness, and diligence displayed by him in the performance of all his official duties, his conduct, and his fitness for the Consular Service. No person who is not an American citizen shall be admitted to the Consular Service as a consular assistant, vice or deputy consul, consular agent, or student interpreter.

Sec. 7. That as between candidates of equal merit, appointments of consuls general and consuls shall be so made as to secure proportional representation of all the States and Territories in the Consular Service; and neither in the designation for examination or certification for appointment will the political affiliations of the candidates be considered.

Sec. 8. That all appointments of consuls and consuls general of the United States shall be made to grades instead of to places, and the President shall make assignments to such places as he may deem proper.

Sec. 9. That the United States Government shall bear the actual expense of transferring a consul or consul general, his family and his effects, when ordered to a new post.

Sec. 10. That the Secretary of State shall report from time to time to the President, along with his recommendations for promotion, or for transfer between the Department of State and the Diplomatic Service, the names of those secretaries in the Diplomatic Service, who, by reason of efficient service, an accurate record of which shall be kept in the Department of State, have demonstrated special efficiency, and also the names of persons found upon exam-



ination to have fitness for appointment to the lower grades of the service.

Sec. 11. That the secretaryships in the Diplomatic Service are hereby graded and classified as follows: Class one, three thousand dollars, secretaries of embassy; class two, two thousand six hundred and twenty-five dollars, secretaries of legation; class three, two thousand dollars, secretary of legation and second secretaries of embassy; class four, one thousand eight hundred dollars, second secretaries of legation; class five, one thousand two hundred dollars, third secretaries of embassy or legation.

Sec. 12. That the board of examiners for the Diplomatic Service shall be composed of an Assistant Secretary of State, the Chief Examiner of the Civil Service Commission, or such other officer as that commission shall designate, a law officer of the Department of State, and one other officer to be designated by the Secretary of State.

Sec. 13. That the scope and method of the examinations shall be determined by the board of examiners, but the examinations shall include business experience and ability, the resources and commerce of the United States, with special reference to the development of export trade, international, commercial, and maritime law and history, American history, government, and institutions, and one language other than English. These examinations shall be held at least once annually, and shall be conducted with strict impartiality, and without regard to the political or other affiliations of any candidate, and upon their conclusion the board of examiners shall certify in writing to the Secretary of State the names of those persons whom they have found to be, in their judgment, thoroughly well qualified for the Diplomatic Service; and the report of the board shall be made public, and the Secretary of State shall at the same time make a public statement of the proportional representation of the different States and Territories in the foreign service. No person who is not an American citizen shall be appointed to a secretaryship in the Diplomatic Service.

Sec. 14. That examination papers shall be rated on a scale of one hundred, and no person with a general rating of less than eighty shall be certified as eligible. No person shall be certified as eligible who is under twenty-one or over forty years of age, or

who is not a citizen of the United States, or who is not of good character and habits and physically, mentally, and temperamentally qualified for the proper performance of diplomatic work, or who has not been specially designated by the President for appointment to the diplomatic service subject to examination and subject to the occurrence of an appropriate vacancy.

Sec. 15. That this Act shall take effect ninety days after its passage.

Sec. 16. That all Acts or parts of Acts inconsistent with this Act are hereby repealed.

## RECEPTION AND BANQUET.

WEDNESDAY EVENING.

IN HONOR OF THE SPEAKERS AND DELEGATES OF THE CONGRESS.

Mr. Geo. W. Sheldon, President of the National Business League of America, acting as Toastmaster.

*Invocation by the Rev. Charles N. Stuart.*

Blessed art Thou, O God, Our Father, from whom cometh every good and perfect gift we enjoy.

We give Thee thanks for the gifts of Thy love unnumbered by Thee and undeserved by us.

Let the memory of Thy goodness fill our hearts with joy and thankfulness even to the end of life.

Bless us in our fellowship here tonight.

Bless our nation, state and city, bless all who are in authority, that law and order, justice and peace, may everywhere prevail.

Bless those upon whom rest the burden and responsibility of great industrial and commercial enterprise, that by their manifest spirit of justice and brotherly kindness the happy day may come when all men's good shall be each man's rule through all the circle of the golden years.

Direct us, O Lord, in all our doings with Thy gracious favor, and further us with Thy continual help, that in all our works, begun, continued, and ended in Thee we may glorify Thy name, and finally, by Thy mercy, obtain everlasting life, through Jesus Christ our Lord. Amen.

THE TOASTMASTER: Honored Guests and Members of the National Business League of America: Whatever of good may come out of this conference, it is primarily due to our worthy General Secretary, Mr. Austin A. Burnham. (Applause.)

He came to me some months ago and said that he believed that it was time that the business men of this country should get together to consider their own welfare. He also felt that it was incumbent upon the National Business League of America to invite the business men to come to Chicago and deliberate upon the ques-

tions which have been paramount before us for the past number of months and years. I hesitated some considerable time before giving my consent. But, thinking the matter over, it occurred to me that Mr. Burnham was right, and we proceeded along the line of getting the business men of this country together as far as we could to discuss, you might say, their own national affairs.

The results of the deliberations of the past three days have been to me personally very satisfactory. We have not had a great quantity, but we have had much quality. We are satisfied that, within the next few months, the result of these three days' meetings will begin to make itself felt. Certainly it will, if the gentlemen who have been here attending this conference will do what they have suggested should be done, and what they have promised to do.

I am not here tonight to deliver an address. I am not competent, but we have with us many who are competent to tell us what we ought to do, and I am sure that you are going to listen to them with a great deal of interest.

I believe you will agree that it is a matter of fact and of history that the men who are best equipped and whose services to their fellow-men and to their country prove to be the most prolific of lasting beneficial results, are the men who make the least exploitation of their accomplishments. With this in mind we are indeed fortunate in the selection of the first speaker of the evening. For nearly two decades he has been continuously active in the scientific fields of economics, industry, foreign and domestic commerce, rail, ocean, and inland waterway transportation. Nor is this all. He was a leading member of the Isthmian Canal Commission that, through its thorough investigation and wise selection, gave to this country and to the world that crowning achievement of modern times—the Panama Canal. Hence it is my pleasure to present to you Professor Emory Richard Johnson of the University of Pennsylvania. (Applause.)

PROFESSOR JOHNSON: Mr. Chairman, Members of the National Business Congress: I wish first to express my appreciation of the honor you confer upon me by inviting me to be your guest this evening. I esteem it an honor, because I feel, as the Chairman has just stated, that if this country is to solve, really solve, the business questions which confront Congress and the States at the present time, it must be by deliberation of men whose daily life gives them an intimate knowledge of the problems to be considered. I

have been presented to you as a University man, and I plead guilty to the accusation; indeed, I am proud of the fact that I am connected with one of the universities of this country, but I do not appear before you tonight as a University man, but rather as a student with you of a very practical question, a question which I have sought to approach in no academic spirit, but in a spirit of truth-seeking, a spirit of attempting to arrive at an intimate knowledge of the problem.

The Chairman has been kind enough to refer to the fact that I have been called upon by the Government from time to time to investigate and report. Such persons are usually harmless, and I assure you that my work for the Government has done business no injury, but at least it has done me good in that I have been thrown into close personal contact not only with professional men in engineering, men in the army and navy, but what I prize most of all, men in active business life.

Without asking permission of your Chairman, I stole away from the meeting this morning in order that I might confer with the administrative heads of two of the leading commercial organizations other than the Business League, of the City of Chicago, and I shall return to Washington on Friday morning feeling that I have learned a great deal from what was told to me this morning by the men who were intimately concerned with the organization and development of the business in this great country, between the Alleghenies and the Rocky Mountains.

I have, however, been asked to speak upon a very concrete question, that of the "MEASURES FOR THE PROMOTION OF THE AMERICAN MERCHANT MARINE."

For fifty years the American marine engaged in the foreign trade has almost continuously declined. On the Great Lakes and along the seaboard, where only ships built and owned in this country may be employed, there is a prosperous fleet of six and a half million tons of high-class shipping; but on the high seas where foreign competition must be met our marine has not been able to hold its own.

It is not necessary to rehearse the causes that have brought this about. It is generally agreed that the causes are primarily economic—that it costs more to build ships in the United States than in Great Britain or Germany; that operating expenses are greater under the American than under a foreign flag; and that,

such being the case, American capital seeks investment on the land rather than on the sea. These are obstinate facts, and all the more unpleasant to face for the reason that there seems to be no immediate prospect of their changing.

If the hindrances to the increase of our over-sea fleet were mainly political or legislative we might hope to remove them promptly, and, by wise aid, to offset the minor handicaps of an economic character. Germany has shown this to be possible, and her deep-sea fleet is steadily increasing in spite of the fact that British builders and carriers have some economic advantages over the German.

In part, the handicap upon our registered marine is due to laws that can be changed whenever public sentiment favors such action, and, I believe, the government can render some effective assistance in building up the merchant marine. The purpose of this address is to consider briefly what legislation is, and what is not, desirable in the interest of our registered shipping.

The first thing to be done is to enable an American company to secure a ship as cheaply for operation under the American flag as under a foreign ensign. Our present registry laws make this impossible, and should be so changed as to allow Americans to purchase foreign-built ships for operation under our flag in the foreign trade. As long as ships can be secured for registration under a foreign flag for a third less than they can be obtained for operation under the American flag, it is idle to hope for any large increase in our international mercantile marine. That this is fact, not theory, is fully proven by our actual experience.

The Commissioner of Navigation states in his current report that "the registry law has not compelled American capital to stay at home and directed its investment in the products of American shipyards. Yet," as he says, "unless the law can accomplish such an economic miracle, it can be of no benefit to shipbuilders, who have been disposed to regard it as essential to their existence." After a survey of the shipping built in the United States during recent years for the foreign trade, the Commissioner declares that "the sole product of the last ten years' operation of the registry law is the *Minnesota*, built in a shipyard specially prepared for the purpose, which has built no other steamer since." The Commissioner is entirely correct when he says that "a law which shows

such meager results cannot stand the test of frank discussion," and that "if it were merely nugatory it might remain undisturbed."

The effect of the registry law is not merely negative; it has restrained the increase of registered shipping in a very positive manner. Within a year it has prevented the American owners of a fleet of eighteen up-to-date steamships from transferring the ships from foreign to American registry. This fleet is operated in the trade between the United States and the West Indies and the countries about the Caribbean, where, for political as well as economic reasons, the flag of the United States ought to occupy a place as prominent in commercial as in naval shipping.

There is every reason to believe that the American shipyards would benefit rather than suffer by the repeal of the present law prohibiting Americans from purchasing ships abroad for registry under the American flag for operation in the foreign trade. Another change in our laws, although of minor consequence, might be of some assistance to American-built ships. At the present time materials for the construction of steamships may be imported into the United States free of duty, but vessels built from imported materials cannot be employed in the coastwise trade of the United States for more than six months in the year. This limitation upon the use of a vessel must influence men investing money in ships to forego the privilege of engaging both in the coastwise and the foreign trade, and to cause capitalists to purchase their vessels abroad, register them under a foreign flag and to operate them solely in the foreign commerce of the United States. Our laws should enable shipbuilders to construct, without restriction, vessels for the coastwise, as well as the foreign trade, with materials secured in the cheapest markets of the world.

The opposition to ship subsidies in the United States is deep-seated. There has never been any prospect that Congress would grant general navigation and construction bounties such as have been given by France and some other countries. Indeed, the feeling against special aid to the merchant marine is so strong that it has thus far been impossible to modify the existing mail payment act of 1891 in such a manner as to render it of real aid to our merchant fleet. I believe, however, that continued effort should be made to convince the American people that it will be wise for them to adopt towards their merchant marine in the foreign trade, the policy that has long been successfully adhered to by Great Britain and that

Germany has found to be effective in the promotion of her maritime interests.

The fundamental weakness of the mail payment act of 1891 as an agency for the promotion of our carrying trade on the seas is that it was enacted mainly to enable the people of the United States to maintain high-speed express steamers on the North Atlantic in competition with the British and German lines engaged in the transportation of passengers and express. Our foreign commerce is amply provided with transportation facilities on the North Atlantic. The competition among steamship lines there is keener than in any other part of the world. The maintenance of a fast express steamship line on the North Atlantic under the American flag, for some time at least, will require very great assistance from the government, and the benefits to our commerce will be relatively slight. It may be well to continue to support one high-speed trans-Atlantic line, but the act of 1891 should be so modified as to enable the Postmaster General to bring into existence and to build up lines consisting of vessels of moderate speed, carrying freight and passengers from the United States to South America and Asia.

I do not advocate the immediate adoption of an elaborate program; indeed, I would have the act of 1891 modified with a view to giving strong government support only (a) to a line from the Atlantic seaboard down the east coast of South America as far as Buenos Ayres; (b) to a line from our Atlantic and Gulf ports down the west coast of South America to Valparaiso; and (c) to a line from our west coast ports to Hawaii, Japan and the Philippines.

The fact should be recognized by the government that these three lines must secure most of their earnings from the transportation of freight, and that the vessels must be so constructed and so operated as to transport freight profitably. Their speed must be moderate. In the case of the two South American lines the maximum payment under the modified act of 1891 ought to be given to vessels with a rating of 13 or 14 knots and an actual average required speed at sea of not more than 12 knots. This may seem to be providing for the transportation of mails at a slow speed, but it should be remembered that freight cannot be economically transported in American vessels in competition with foreign shipping at a higher rate of speed than 12 knots. It should also be borne in mind that the German Government requires a speed of only 12 to 14 knots of the lines to which it gives most of its subsidy—those



through the Suez Canal to China and to Africa. Such a small percentage of the total earnings of lines from the United States to the east and west coasts of South America will be secured from the passenger and mail services that even liberal payments for the transportation of the mails may be entirely offset by a requirement that the vessels shall be operated at a speed of even 15 or 16 knots per hour.

The lines across the Pacific might have enough passenger and express traffic to enable vessels to be operated profitably at an average speed at sea of 14 knots. The mail contract with the trans-Pacific line might stipulate a theoretical speed of 15 or 16 knots. It will hardly be possible for vessels with a higher rating to maintain, under the American flag, profitable services in competition with ships under the Japanese and British flags.

In providing public aid for the American marine it will hardly be necessary to subsidize any portion of the coastwise fleet. Foreign vessels are not allowed to engage in the trade between the ports of the United States, and, thus entirely freed from foreign competition, our coastwise fleet has increased rapidly in tonnage and efficiency. In 1900 the enrolled tonnage on the Atlantic and Pacific coasts amounted to 2,216,516 tons; in 1910 the tonnage had risen to 3,540,519 tons, a gain of nearly 60 per cent during the decade. The opening of the Panama Canal will give much larger opportunity for the development of the coastwise shipping. The demand for transportation by water from coast to coast will be much greater than at the present time, and it may be confidently expected that shipping will be brought into service in response to and in proportion to commercial demands.

Fears have been expressed that the carriers engaged in the coastwise trade between the two seaboard may experience difficulty in competing with the transcontinental railroads. On the other hand, there is equally strong apprehension on the part of the railroads that a large share of the traffic between the eastern and western parts of the United States will, after the opening of the Canal, be handled coastwise.

My own judgment is that the water lines will undoubtedly be able to compete successfully with the railroads and that the volume of business moving coastwise will be large. At the same time, I do not apprehend that the Canal will prove to be an injury to the transcontinental railroads or that it will handicap their development.

The Canal will undoubtedly compel some readjustment of rail rates to and from the Pacific coast terminals. It will also draw to the Atlantic seaboard some traffic from west of the Allegheny Mountains that now moves directly by rail to the Pacific. The railroads will, of course, find it necessary to divide with the steamship lines some part of their coast-to-coast traffic; but it may easily transpire that what the railroads may lose in traffic will be more than offset by what they gain in freight and passenger business as the result of the industrial and commercial development which the Canal will bring about. The effect of the Canal will be to increase the traffic handled from coast to coast and also to develop the industries of both the seaboard States and of the wide mountain territory crossed by the transcontinental railway lines. It is this broad intermountain territory that now supplies the transcontinental railroads with the major share of their tonnage and profits. If the Canal succeeds in promoting the industries both of the seaboard and intermountain States, in other words, if the Canal really secures a large traffic, the railroads are certain to be the ultimate gainers. Personally, I believe they will not be losers, even during the early years of the operation of the Canal.

The Canal will supplement the railroads not only by developing the industries of the West, but also in a more direct manner. I assume that the leading transcontinental railroads from the Grand Trunk and Pacific on the north to the Southern Pacific on the south will, unless prevented by discriminating canal tolls or other restraining legislation, establish strong steamship lines through the Canal—lines that will supplement the services of the railroads as do the present lines on the Great Lakes and upon the Pacific.

It being certain that the railroads will establish coast-to-coast steamship lines, unless prevented from doing so, there are those who fear that it will be impossible for lines independent of railway ownership or control to compete successfully with the steamship lines having railroad affiliations. Accordingly, it has been suggested that the Government should either prevent the railroads from operating steamship lines or should make the Panama Canal tolls so high for railroad lines as to prevent them from being operated. If the railroads are not allowed to operate steamship lines through the Canal, the commercial usefulness of that great waterway may be limited; whereas, it will be agreed that the policy of

the United States should be to make the Canal of maximum service to the commerce of the United States and to the world at large.

If it be feared that the steamship lines under railroad control or with railroad affiliations may engage in destructive warfare against the independent lines, the measures to be adopted are those that will so regulate coastwise carriers as to maintain fair competition among all lines. Protection can be afforded to independent lines by federal regulation of services and rates of coast-to-coast shipping. Moreover, the regulation can be so enforced as to promote rather than to restrict the use of the Canal. In our zeal to adopt measures that will prevent the railroads from throttling the Canal, we ought not to limit the use of the waterway. Regulation rather than limitation is desirable.

While it seems necessary and desirable to give government aid to the American marine engaged in the foreign trade, I am not oversanguine as to any large growth in our registered shipping in the near future. The economic disadvantages of the American marine as compared with those under foreign flags are serious and cannot be outgrown in a day; nevertheless, I believe that with wise government support, steady, if not rapid, progress can be made in building up our deep-sea tonnage. Certainly, earnest and practical effort should be made to strengthen the American marine in the international trade.

The logical method of aiding our merchant marine in the foreign trade is, first, to admit to American register for that trade vessels built abroad and owned by American citizens; and, second, to give effective government support to three lines of freight and passenger steamers of moderate speed, one to the east coast and another to the west coast of South America, and a third across the Pacific.

I trust that measures may be taken by Congress at an early date to remove the present legislative handicap upon the American merchant marine in the foreign trade, and that the act of 1891 may be so amended as to enable the Government to make it a means of aiding our over-sea carrying trade. The opening of the Panama Canal should be preceded by measures that will foster the development of the American merchant marine. (Applause.)

## THE PANAMA CANAL AND THE COMMERCIAL AND TRANSPORTATION INTERESTS.

BY EMORY R. JOHNSON,

Professor of Transportation and Commerce, University of Pennsylvania.

(From the *New York Journal of Commerce Bulletin* of January 3, 1912. Reprinted as kindred to Professor Johnson's Address.)

The Panama Canal, now within two years of completion, is being constructed to aid the industry and commerce of the United States and to increase the effective strength of the American navy. The effect which the canal will actually have upon the industrial and commercial development of the United States, as a whole, is not easy to determine; indeed, careful analysis can only indicate the more important changes to be expected.

The most general influence of the Panama Canal upon American trade will result from increasing transportation facilities. A fact of fundamental importance, and one often overlooked, is that the development of industry and commerce depends more upon the completeness of the transportation service than upon the cheapness of freight rates. The absolute cost of transportation today is so small as to impose but a slight restraint upon trade, but facilities which aid new transportation services often make possible a large expansion of commerce.

The steaming time between New York and San Francisco (including a half day for passing the Canal and another half day for coaling at the Isthmus) will be about 23 days for 10-knot ships and 19 days for 12-knot vessels. The present time taken by the railroads for moving carload freight from the Atlantic to the Pacific seaboard is about three weeks; thus freight vessels will have approximately the same schedule as freight cars. Fifteen-knot vessels will make the run between New York and San Francisco in 15 or 16 days, including a day for detention and coaling at the Isthmus. Vessels with a speed of 15 knots are of the passenger rather than the freight class, and will probably not be operated in large numbers. The only considerable passenger traffic between the two seaboard will consist of immigrants west-bound and of excursionists in both directions. The Panama Canal is to be re-

garded as a coastwise highway for freight rather than for passengers.

The opening of the Panama Canal will change the conditions of industrial competition, and the benefits will not all be secured by the United States. Half of the traffic passing the Canal, at least during the first decade of its operation, will not touch the shores of the United States at all—it will be the commerce of Europe with western South America, and, to some extent, with other sections of the Pacific. While the United States will trade with foreign Pacific countries under more favorable conditions than exist at present, the same will be true of Europe, which now has a long lead over the United States in the trade of most sections of the Pacific. The Canal will enlarge our trade with Western South America, but Europe will also expand her commerce with that region.

The competition between Europe and the eastern part of the United States for the trade of our Pacific Coast States will be keen. Great Britain, Germany and other European countries will have especially low freight rates to the west coast of North America, because the larger volume of traffic moves east-bound. Vessels from Europe to our west coast will be as eager as they now are to secure cargo at low rates to prevent movements in ballast. The United States Steel Corporation and other American producers will be obliged to sell their products in the western part of the United States in constant competition with the British, German and Belgian manufacturers. The tariff will aid the Steel Corporation, but even present tariff rates are not high enough to prevent foreign producers, assisted by low ocean rates, from selling profitably in our West Coast markets.

Competition between the industries in Eastern Seaboard States and those in the States of the Mississippi Valley will be accentuated by the Canal. The testimony presented to the Interstate Commerce Commission in the intermountain rate cases showed that about 20 per cent of the west-bound traffic of the transcontinental railroads originated in the territory east of the Buffalo-Pittsburg district, that about 23 per cent came from the Buffalo-Pittsburg district, and 57 per cent, more than one-half, from the Middle West. For some years there has been a steady westward movement of industry from the Atlantic Seaboard to the States west of the Allegheny Mountains; and not a few producers in the valleys of the

Ohio, Mississippi and Missouri rivers are apprehensive lest the Panama Canal may check this westward movement of industry and enable the Seaboard States to secure a larger percentage of the trade in the markets of the West Coast. The transcontinental railroads share this apprehension. To what extent the Panama Canal will draw industry back to the Atlantic Seaboard cannot be predicted in advance of the opening of the Canal; but it is probably safe to assume that the producers and carriers of the Middle West will find some effective method of dealing with the situation that may develop.

The influence which the Canal may exert upon the development of the Rocky Mountain States is deservedly receiving much attention. During recent years the rivalry between the cities of the Intermountain States and those of the Pacific coast to become dominant centers of industry and trade has grown stronger. It is the hope of the seaboard cities that the Canal may aid them in retaining their present commercial supremacy.

The present system of transcontinental rail rates will assist the Pacific coast terminals in retaining the distributive trade of the West, and the future growth of the intermountain cities will be largely influenced by the interpretation which the Supreme Court may put upon the long-and-short-haul section of the Interstate Commerce Act. If the decision of the Interstate Commerce Commission establishing a percentage relationship between the rail rates to the seaboard and to intermediate points shall prevail, the Canal will be of greater assistance to the industrial development of the Mountain States than it will be if the present system of rail rates shall be allowed to stand.

Railroad officials in all parts of the United States are considering the probable effects of the Canal upon through traffic and rates. Of course, everybody realizes that most of the traffic handled coastwise through the Canal will be transported twice by rail and that the local traffic of the railroads within five hundred miles of each of the two seabords must be increased by the Panama Canal. As the railroads must collect and distribute most Canal traffic, they must gain rather than lose, if the Canal is a success.

The growth in the volume of through rail traffic between the two seabords and between the Mississippi Valley and the west coast may be temporarily slackened by the Panama Canal, but even this is not certain. It is impossible to determine in advance the

extent to which the character of the service performed by the railroads will enable them to hold traffic in competition with the coastwise steamships which can and will handle traffic at appreciably lower rates. The citrus fruits from Southern California, for instance, will probably be shipped by rail, for the most part, after the Canal is opened, although the faster steamships may be expected to equip themselves with refrigeration facilities in proportion to the demand. Fruit is dispatched from Los Angeles in trainload lots for the eastern part of the United States, and, after the train is dispatched, the cars of fruit are severally consigned to various destinations. Such being the manner of conducting the business, it is the opinion of well-informed transportation men that the fruit markets east of the Allegheny Mountains, at least, will be supplied by direct rail lines rather than by a combined water and rail route. It is probable also that the shippers of many commodities may prefer all-rail services directly from the producer's factory to the consignee's store or warehouse, without transfer of freight in transit, to the less expensive service involving transportation by two railroads and a steamship line, with the necessary rehandling of goods en route.

It is not to be expected that the Canal will bring about the general reconstruction of transcontinental railroad rates. The rail rate structures will be maintained after the Canal is opened and railway officials will wait to see how traffic moves. If they find that the Canal route is getting a large share of the through business, some readjustment of through rail rates will necessarily be made. The extent to which the transcontinental rate structures will be modified will depend upon the Supreme Court's interpretation of the fourth section of the Interstate Commerce Act. There will be no general rate warfare started by the railroads against the steamship lines; the railroads will have too much at stake; warfare will be too costly. It is much more probable that several of the transcontinental railroad systems will do what the Southern Pacific is certain to do, that is, establish steamship lines between the two seaboards.

The steamship lines operated through the Canal by the railroads may be expected to carry traffic at profitable rates, and to supplement the services of all-rail lines. It will be in the public interest to permit the railroads to establish as many steamship lines as they may wish to operate from coast to coast. If it should be

necessary to regulate the services of the coastwise carriers, in order to maintain fair competition between railway and independent coastwise lines, the jurisdiction of the Interstate Commerce Commission may readily be extended over carriers by water between the two seaboard of the United States.

The coastwise steamship interests are eagerly awaiting the fixing of Panama Canal tolls. It is assumed that the payment by the Government of the tolls upon American ships will be of signal assistance to the coastwise shipping. As a matter of fact, Panama Canal tolls will hardly be burdensome to shipping. They will add possibly 5 per cent to the average freight rates between the two seaboard of the United States. Likewise, the hope of the trans-continental railroads that the Canal tolls will assist them in competing against the coastwise steamship lines can hardly be realized. An addition of 5 per cent to the rates charged by coastwise carriers can be of but slight help to the railroads. The division of the traffic between rail and water lines will not be largely affected by such tolls as the United States Government will probably charge for the use of the Panama Canal.

THE TOASTMASTER: I could not introduce to you, gentlemen, the next speaker, that is, particularly to our Chicago friends, because he is known to every man, woman and child in Chicago. To those who do not live in Chicago, and who read, I am sure they have all heard of George M. Reynolds. I said I could not introduce him; I present him. (Applause.)

## **PRESSING NEEDS FOR CURRENCY LEGISLATION.**

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ADDRESS BY MR. GEORGE M. REYNOLDS,  
President of the Continental and Commercial National Bank of Chicago.

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MR. REYNOLDS: Mr. President and Gentlemen—Enveloped as we are in an atmosphere of conviviality and good cheer, it seems almost a crime to inject into this meeting a question so serious and so dry as the discussion of the financial question. Notwithstanding the conviviality of the evening, I am glad to note that none of us seems to be in the condition of the man who, having been invited to a function, went early, met all the guests, had a



little visit with them, and in a short time went from one end of the room to the other shaking hands, bidding them good-bye. A friend met him and said: "John, you surely are not going home now? The frivolities are just going to begin." "No," John replied, "I am not going home now, but I want to bid you all good-bye while I know you." (Laughter.)

Speaking of conviviality, reminds me of the crowd of gentlemen who, after having left a gathering of this kind, and were on their way home, assembled in front of a house and delegated one man to go to the door and ring the door bell. After a considerable wait a lady's head appeared at the second story window, and one gentleman said: "Are you Mrs. Smith?" She says: "I am." He says: "Please, come down and pick out Mr. Smith; the rest of us want to go home." (Laughter.)

Now, gentlemen, when I look into the faces of this distinguished gathering and recognize so many men who have been so conspicuously successful in various lines of business, I am extremely diffident to undertake to discuss with you this question of currency legislation, or the need of it, for the reason that I know at the very outset I shall not be able to say much that will either instruct or entertain you. About the only apology I can offer for appearing before you at this time is the obsequious manner in which the Committee of the National Business League of America called upon me, when they extended this invitation to me to be present to-night. They came into my office with soft step, with heads bowed low, and with an obsequious demeanor talked so pleasantly that when I reflected that the occasion was so long in the future I was induced to accept the invitation, feeling that I would have ample time in which to properly prepare myself to discuss the subject before this distinguished body gathered here to-night. Up until noon to-day I was still convinced that I would have an opportunity to make that preparation, and I confidently expected to leave my office at 12 o'clock to-day and spend the rest of the time in the seclusion of my own room preparing myself, but as usual some unexpected things happened and I did just get home in time to change my clothes before coming here; so I appear before you to-night with not even a suspicion of a prepared thesis, but rather to discuss in a conversational way a question which seems to be of vital importance to the business interests of this country. Indeed, I think the financial question is the most important question

engaging the attention of the people of this country at the present time.

It seems to me so much has been said upon the necessity of currency legislation that it would be a waste of time for me to undertake to make any reference at all to the present national banking system, and I shall not attempt to do so, but rather I shall endeavor to bring to your attention some of the salient points which, to my mind, should be given consideration and which call for legislation.

It would require much more time than that which has been placed at my disposal to-night in order to make anything like a comprehensive presentation of this subject, and I must, therefore, content myself with presenting, more or less at random, different thoughts that may come to my mind in connection with this subject.

I am not here to find fault with our present national banking system, notwithstanding the fact that I feel it is very inefficient in many respects, for I think, all things considered, it has served us fairly well. It was the outgrowth of conditions at the close of the war which created a necessity for the adoption of a banking system on the one hand and the making of a market for securities of the Government on the other hand. The establishment at that time of the national banking system, in view of the volume of business in this country, seems to have been a fairly good one; it served a double purpose and gave stability to the values of government securities.

The fact, however, that the bond secured national bank note is inelastic has been discussed so many times and from so many points of view that I will not touch upon that subject.

I want to say that, in my opinion, the reason the present national banking law has served the country as well as it has, with no more frequent depressions and visitations of seasons of panics, is due to the growing use of credit in business transactions in this country. Indeed, so rapid has been the growth of the use of credit in our business transactions, we are told to-day that about 96 per cent of the business of the country is done upon credit. Therefore, it seems to me that what means the most for the protection of the business interests of this country is that which will give the greatest measure of protection to the credit of the country; and it is my purpose, in the brief time that I have to-night, to devote my remarks almost entirely to that phase of the necessity for currency legisla-

tion, because I believe that almost every man within the sound of my voice will know something of, and has to do more or less with, credits.

The fact that 96 per cent of our business is done upon credit makes credit a most vital force in all business, as it is one of the most important factors in economics, and if that credit is stable, it must be protected by a system of currency and banking which will enable us in times of stress or storm to exchange credits of one form into credits of another form. To illustrate this, I will say that, in the transactions of business we have many forms of credits.

The initial form of credit might properly be said to be one created in a transaction between two individuals. We will say that A and B have a business transaction, the result of which is that A gives to B his note; B, in the acceptance of the note, has at the time being no thought of the necessity for the use of that credit in his own business and he is perfectly willing to accept it. Later on a condition arises through which B needs to use the credit which he has taken from A. He wants to use that in another transaction with, we will say, C. Inasmuch as his transaction with C involves a different amount from the one had with A, and furthermore C having no knowledge of the financial responsibility of A, the only way by which he can use this credit is to take the note of A to the bank and discount it. If he takes credit for the proceeds of the note, he may then conclude his second transaction by giving his check upon the bank, which he does in the usual course of business. That transaction has transferred or changed the credit of A into a different form of credit, or a bank credit, which is discharged through the use of a bank check. If, however, his transaction is to be with someone to whom he is unknown and that person may be uncertain as to whether or not he has the money in the bank, he may discount the note and get a bill of exchange on some other point, transferring through this process the credit of A into a still different form of credit. As the party receiving the check from B, or the bank's bill of exchange, as the case may be, may possibly be someone who intends to leave the community, and intends to go to some remote section of the country, where the bank upon which it may be drawn may not be known, he may require a different form of credit. In which event he exchanges B's check or the bank's bill of exchange, whichever it may be, into

still another form of credit, which is currency, and the bank gives him bank notes.

Now, through these natural processes we see the credit created in the individual transaction between A and B exchanged into and for other forms of credit and used in other business transactions until it at last reaches the stage of the bank note, which is generally known and accepted all over the country, and, therefore, is regarded as the highest form of credit.

I contend, my friends, that a proper system of banking is that which will give adequate protection to the credit of this country. A system which will make it possible, in the ordinary transactions of business, to exchange one form of credit into another, so that if you have A's note, or B's, or C has B's check, or C has the bank's letter of credit, they all can be exchanged back into one form or other of credit to suit the convenience of the parties to the transaction.

Now, under our existing banking and currency laws, that is impossible. The fact that our national bank notes are inelastic and that they are secured by Government bonds makes it impossible. So that a system of banking and currency which will give proper protection to these credits is, in my opinion, of pressing necessity at this time, and it is to urge the adoption of some legislation which will provide this facility in some form or other that I appear before you to-night.

Under present conditions the amount of credit which can be extended in any community, in the relations of that community with its banks, must be measured entirely by the relationship between the reserves in the vaults of the banks and the outstanding credits of those banks. It makes no difference what the credit requirements of your community may be, you are limited to only that amount of credit which is permitted by the reserve laws in the maintenance of the prescribed relation of the money in the vaults of the banks and the credits which the banks have extended.

A bank in any community is, therefore, a dealer, not in money as is oftentimes supposed, but in credits. Indeed, it is one of the chief functions of a bank in any community to collect the credits on the one hand and the debits on the other, and offset them.

To illustrate: A bank in an agricultural community collects the credits which are made for that community through the sale of its products and the shipment to market of its grain and the

livestock. If the business of that community could be divided into seasons and for six months of the year the profits of that community could be accumulated, it would result very largely in the increase of the deposits of its banks; and, if that were the only part of the transaction, at the season of the year when the crops and the livestock had been moved to the market, the deposits of the banks would show the highest point of the year. But all the while there is another process going on, for, while that community may raise wheat, oats and live stock in abundance and in excess of their own requirements, they do not produce dry goods, groceries, hardware, etc. So while they are exporting their products to the different markets of the world they are importing products which they do not produce, and those products are paid for by checks upon the banks of the merchants buying bills of exchange sent to the cities from which the commodities are purchased. In that way and through that process the bank in a local community is always offsetting the credits of the community with its debits, and the only use for money that the bank has itself is to take care of the credits going farther away from home than usual, and which have not yet discharged their duty and returned to be charged up on the books and offset by the debits on the other side.

For fifty years, nearly, we have had a rapidly changing condition in this country. The rapid development of the country, causing an increasing area of land to be brought under cultivation, has widened our scope of activities constantly, and this process of extending our credits, through the use of credit in business, has gone on continually, until we have, in my opinion, reached a point where the reserve balances against the credit needed for the transaction of our business are about as small as we can consistently have them.

Under the law requiring reserves the various banks of the country to-day, in an effort to increase their reserve, must of necessity draw against their correspondents in other cities, and thereby deplete the reserves of those cities. So that any effort on the part of banks generally to replenish their reserves must tear asunder the reserves at other points. Consequently, when a season of unrest occurs, when business men have some apprehension about an ability to get money or to get credit, and banks undertake to replenish their own reserves, because of this unsettled confidence,

chaos is created, and if we are not careful we are plunged into a condition like that of 1907, when we were in the midst of a panic.

Personally, I contend that there has never been a panic in the world that has not come subsequent to an inability on the part of the solvent business men to secure credit. So long as your checks answer the purpose of currency in their transactions—and they do answer that purpose so long as they are out serving that purpose—you have no need of currency and no desire for it.

If you will reflect, you will all recall that in the fall of 1907 there was no effort made whatever upon the part of the public to hoard money until after the banks of the country were obliged to refuse to extend credit to them. And, indeed, I believe, that if in the panic of 1907 \$500,000,000 more of credit could have been offered to the business interests of this country the panic of that year would have been averted. Now, if I am correct in this theory, the thing that we most need in the correction of our currency system is to have adopted some law which will provide an institution or some vehicle of some kind which will protect our credits to an extent, first, that will have an ability to transfer credit of one form into credit of another form, or whatever form we may care to have it, even to the securing of bank notes, which phase I will touch upon later.

Then we must have established in protection to our credit an institution which will have the right under the law, to issue credit, under the proper safeguard. I contend, therefore, that legislation should provide for at least three essential things: First, it should have a credit creating power; second, it should have the right to issue its own notes, properly secured and safeguarded; and, furthermore, whatever is provided shall safeguard against over-expansion of credit.

Now, gentlemen, you all well know that the country has had submitted to it for its consideration at this time a plan for the revision of our currency and banking laws, proposed by the Chairman of the National Monetary Commission, and while I know full well that that plan will not meet the views of everybody—indeed, I doubt that it will meet the full views of anyone who has to do with the subject—still, from my point of view, having been actively engaged and associated with those who have had to do with the framing of that bill, I say I firmly believe that in the consensus of

opinion of the business men of this country it represents the best thing possible that we can get at this time. (Applause.)

At the very beginning of the study of this question the first and foremost problem that confronted those who had the work in charge was its political aspect; the ability, if you please, to have the bill passed, was infinitely greater than the economic problem. The bill was presented to the country in a tentative form for consideration some months ago. Since that time there has been much discussion and some criticism of it. Some amendments have been made to the bill with a view of covering or meeting such criticism, and, in my opinion, the revised plan, as it is now presented to the people for consideration, is about as nearly fitted to take care of the needs of business as anything which we can hope to have adopted.

It is to be regretted that legislation of such importance as this must bow to and be hindered more or less by the prejudices of the people of this country. I recognize that this is perhaps the most inopportune time to have legislation of this kind come up for consideration, and, furthermore, following as it does upon the heels of tariff legislation, that the criticism created as the result of that legislation is a handicap against this bill to no inconsiderable extent. I recognize that prejudices have been aroused, and I know there are many people who profess to know nothing about the bill, but who are opposed to the author and, therefore, opposed to the bill. Now, I am here to-night to defend no one, nor am I here to criticise anyone, yet I feel that I would not be doing my duty if I did not have the moral courage to say to you, gentlemen, as a result of having sat in almost every conference which has been held upon this subject by those in authority in the preparation of the bill, that I believe the most honest and conscientious thought has been given to it by those who have had it in charge. I want to say, furthermore, that I believe the entire bill has been constructed around the one premise, to begin with, that the individual banks throughout the country should not be disturbed; that they should continue their entity; that they should not be threatened by the establishment of governmental competitive banking in this country. But, strange to say, while the bill was constructed upon this premise, with the foremost thought in the minds of those who had to do with it being the conservation of our present individual banks, some 25,000 in number, the first criticism we had of the

bill came from that source. I think a careful study of the plan by them has convinced the average banker in the country that the bill is not calculated to destroy him, but on the contrary that it is proposed to be helpful to him.

I cannot, in the few minutes at my disposal, undertake to go into any special detailed discussion of this plan. You all know what it is; you have heard it discussed, and I have no doubt but that you have all read it. In my judgment, it will come as nearly serving our purposes as any plan which can be suggested, although those who have this work in charge recognize that they have many handicaps to contend with; they expect they will stub their toes frequently, and fall perhaps, but, feeling conscious that their work has been along the right line, they will get up and push forward until success crowns their work.

I believe that it is especially unfortunate that legislation so important as currency legislation should be made the tail to the tariff kite—and that is about the position in which the bill was sought to be placed by a number of people. That is wrong. I do not agree with the tariff schedule as it was made. I do not agree with the views of those who had the framing of the tariff schedule. I do not agree with them in many things, yet I hope I am too broad-gauged and too fair-minded to allow my prejudices to stand in the way of recognizing that which is good presented by those people, or by anyone else for that matter. For myself, I believe that I should take the mote out of my own eye before I look for the beam in my neighbor's. And I believe that so long as we approach the discussion and the settlement of these questions in the spirit of prejudice just so long are we going to have the contention which is interfering with our business at this time.

I am reminded at the moment of a little story that I saw in the paper a few nights ago. Some place in the city a water main had been broken, and an employe of the city had taken a wrench and gone to the hydrant and was turning it round and round and round, shutting off the water in order that they might get down to the main to repair the break. When he was about half through with his task he felt a tap on his shoulder, and, looking around, found a tipsy man, who said: "I have caught you at last." Says he: "My friend, somebody has turned these streets around here for a great many years, but, thank God, we have caught you at last." (Laughter.)



I want to tell you there has been some one turning public sentiment around for years, and it is about time we had caught him. (Applause.) We are not going to catch him until you put your prejudices behind you and go about it in an intelligent, honest, fair-minded way.

I recognize this currency question is going to be considered from many viewpoints, and I have no doubt many of you will differ from me in your views; that makes no difference. I welcome open-minded, fair discussion, because I believe it will lead to a study of the bill, and I believe the more people who study the bill the more inclined they will be to come to a realization of the fact that it is the best bill under all conditions it is possible for us to get through at this time.

I want to say that so far as the author of the bill is concerned, it is not Mr. Aldrich's bill, nor the bill of any one man. It is the creation of many men. Perhaps one hundred men have had to do with its construction in one form or other. It represents the consensus of opinion of many of the largest banking men and business men of this country. Conference after conference has been held on the subject. I have attended conferences when there were present twenty-five to forty people from different sections of the country, each one having gone with a view of picking the bill to pieces and criticising it from the standpoint of the benefit it would be with respect to their own communities. After a comprehensive discussion, however, they would withdraw practically all of their criticism, for they found that the bill embodied the features they thought ought to be in it, when it was properly analyzed and they properly understood it.

And now there have been several bogies raised; they are always raised over questions of national importance. I have to smile when I think of some of them: "Wall Street." You ask the average man who criticises Wall Street why he criticises it, and he doesn't know; it is just Wall Street.

I cannot refrain from telling you a little story bearing upon this subject. About eighteen months ago I was out at Kansas City and I met one of those fellows who held that Wall Street ought to be regulated. He stood in the lobby of the hotel, and, knowing that I was from Chicago and a banker, he talked very drastically about capital and capitalization, and money and credits, and all that sort of thing, until, after a short time, realizing that he was talking

for my benefit, I said: "My friend, I may be mistaken—I have no inclination to intrude here if you don't mean me, but if you are talking to me I will be very glad to hear you, provided you will divide time." He replied: "I will be glad to." I asked: "What is your business?" He replied: "It is real estate." I asked him if he lived in Kansas City and he said he did. I asked him where he sold real estate, and he said: "In Mexico and Texas." I said: "Do you sell it for cash?" He answered: "No; I sell it on from two to ten years' time." I said: "How do you get your people out there to see it?" He answered: "By the railroads." "You don't use the railroads to take your men down there to sell your real estate after all the talk you have given me about railroads?" I asked. He replied: "Yes; sure." I said: "Do you sell for cash?" "No," he replied, "I usually get a reasonable payment down and give credit for from three to ten years' time on the balance." I said: "It takes a great deal of money, does it not, to handle a business of this character?" and he said, "Yes." I asked him how he got the capital. He said: "If I sell a piece of land to a man in Illinois and the man is good, I can go to the banker in the locality where he is living and discount the note; the local banker knows he is good and for a liberal discount will purchase the note from me." I said: "I suppose you do not feel that you are speculating?" and he said, "Oh, no, certainly not." I said: "Do you know that a man on Wall Street knows where he stands every night? His transactions are all on the basis of cash."

I then asked: "What makes your city great here?" "Why," he says; "we have sixteen or seventeen distinct lines of railroad running out of here."

I says: "If one railroad is such a terrible thing, sixteen must be awful. What is that car down there?" He answered: "That is a Pullman car—sleeping car."

I asked him who owned it, and he said: "The Pullman Company in Chicago." I then asked: "What is it there for?" He replied that it was for the convenience of "our people."

After further questioning he admitted that he could go to bed in that car there in Kansas City, sleep all night as comfortably as he could in his own bed and wake up in the morning in Chicago refreshed from his night's rest.

And I then asked: "What is that viaduct down there for?" He replied: "That was built to save lives. People go down there

in the packing houses to work, and before they had that they used to kill two or three people a week, but since they put it there we have no accidents."

I asked him: "Did your capital build it?" "No," he stated. "Boston capital built it."

I said: "I understand you are going to have a new station here, and are going to spend seven or eight million dollars in its erection. Who is going to build it?" He answered: "The railroads." I asked him what railroads. Mr. Harriman was then living and he answered: "I suppose Harriman and his associates." I asked him what that was going to do for his city, and he said: "Why, it is going to make it much more convenient for the people going through." I said: "Is Kansas City going to invest a dollar in there?" He said: "No; the railroads."

It went on, and I asked: "These tall buildings here; have they all been paid for?" He said: "No. The tall ones maybe have plasters on." I asked him if the mortgages were owned in Kansas City. He said: "No; in New England mostly."

Then I said: "What have you here that you own and that you put your own money into?" He answered: "The water works is owned locally, and practically everything that contributes to the conveniences of Kansas City was furnished by a few people, as they call it, representatives of Wall Street."

They were condemning their benefactors and had no realization of it. I said: "How would you get those men to Texas and Mexico to buy your land if it were not for the men whom you have been condemning so severely? What makes your city great?" He answered: "Why, the railroads, of course." I said: "Your merchants can stand in their doors and sell goods almost in the very doors of the people in New Mexico and Arizona because of the network of railroads you have here." I said: "If, by some magic, or the same degree of reasonableness with which you have been criticising and condemning Wall Street, all of these vast improvements could be taken away from you, and you woke in the morning and found Kansas City minus those improvements, you, and everyone like you, would get down on your knees and pray the Lord to restore the city to its former state of development." I said: "It is just such indiscriminate criticism that is creating these national problems."

That distorted condition of affairs is what is bringing you here, gentlemen. People criticise without any knowledge, criticising their benefactors in reality, and so long as we as business men go on and submit to this making of public sentiment, which has nothing of conservatism, nothing of fairness and nothing of justice in it, just so long will we find things awry.

Gentlemen, I have departed from my subject, and I must not take very much more of your time. I want to add that the adoption in this country by the National Reserve Association of this plan will, in my opinion, provide the machinery for creating the credit in this country necessary to enable every man, under normal conditions, if he is responsible, to secure the credit necessary for the conduct of his business, and I believe, furthermore, that the restrictions thrown around it will prevent over-expansion.

Some people say that you are going to establish an institution that will extend credit ad infinitum. There is no intention of that kind. Then we hear criticism upon the theory that it is going to centralize the money power. I think I can make it plain to you where the money power lies to-day; I believe you already know, if you will stop and consider carefully, and I believe anyone within the sound of my voice realizes that at this time the money power is in the hands of at least half a dozen men. We have reserve centers carrying the reserves to-day, and the banks all over the country are dependent upon those reserve centers.

The institution of which I am President carries the reserves of a greater number of banks than any other institution in America. Our clients are located in every State in the Union, and, gentlemen, in the last analysis the ability of those people to secure money, if they depend upon me, and if they stay with me and are unable to go elsewhere, depends upon what? First, upon my ability to get money and furnish it to them, and, secondly, upon whether or not I have an inclination to meet their wishes.

In normal conditions, of course, when money is easy, they can get money from me and from my neighbor. But I am talking, gentlemen, about times when everybody has a demand for money, and when the banks by reason of the peculiar requirements of reserve are unable to extend credit in proportion to the reasonable business requirements.

In the thirty-one years of my banking experience, I have seen many a time when I have found it impossible to meet the require-

ments, and the legitimate requirements too, of the people of the community who made application to me for money, and still confine myself to the requirements of the law, so far as the maintenance of reserve is concerned. The result is that in times of pressure we must disregard the law or we must discontinue to extend credit, thereby creating chaos and disorder in business and sometimes bringing on panics, as was the case in 1907. I say we must, if we serve the community, make law-breakers of ourselves to the extent of encroaching upon our reserves. You can do that to a certain point, but in times like 1907, 1893 and 1873 and periods like those, when the demand is altogether out of proportion to the ability of the banks to meet it, there is only one alternative, and that is to decline credit; and you are the very type of men who, through your fear and your loss of confidence, when declined credit, create panics.

When men with good collateral are not able to go to their banks and secure credit, they think something peculiar has happened, and it has; but is it not also peculiar that when those very men are denied such credit they do not seem to have a proper measure of appreciation of the necessity for a change in or a modification of the currency laws which denies them that credit?

During these recurring seasons, when there is an immense demand for money for crop-moving purposes, etc., the people ask: "Why don't the banks carry a reserve sufficient to meet these demands?" A gentleman made that very remark to me a short time ago, and I said: "Very well, I will accept your suggestion and, as a basis for preparation for that, since we are extending to you a line of \$300,000 of credit, you will have to get along with \$150,000." He retorted: "My dear Sir, I need all the money I am now using. I can not pay down 50 per cent of my loan and still do business;" and that is the situation as applied to each individual.

One reason for the indifference of the average business man to this kind of currency legislation, is due to the fact that if he is good he has had such good treatment from his banker that he does not appreciate the impending danger. But we all have a very vivid recollection of 1907, and what happened. We all know what 1907 was; we know how we handled the situation. We repudiated payments; everybody did. It was not applied to the banks alone, but to everybody practically. It was the safeguard to the whole situation. Two years following, 1909, money was the cheapest throughout the

year in Chicago that it has been during the fifteen years of my residence in this city. In the fall of 1909, rather in midsummer of 1909, money was cheaper than it had ever been known to be in the city of Chicago. The banks having a large number of correspondents had prepared themselves, as they believed, admirably for any condition that might prevail through an increasing demand for money in that fall. They had invested largely in commercial paper on the theory that as that was paid, they would have means to meet declining deposit, and in the end have money enough to loan to their own customers to meet their requirements, but they overlooked one little thing. In the fall of 1909, we had a severe snow storm, and you business men will recall that we had a blockade here for nearly three months, so that the preparation during nine months of the year for the activity for fall or crop moving business was cast aside and amounted to naught. I want to say here and now, because you did not know anything about it before, that the fall of 1907 was not a circumstance to what the fall of 1909 was. The result was that the banks in every large center in the country, acting as reserve for any number of banks, if they served their customers to keep the progress of business open, had to impair their reserves.

You say why did they do it? Simply because a failure to have done that would have made it impossible for the farmer to have realized credit—I am not talking about cash—for the farmer to have realized credit against drafts with bill of lading attached for his shipments of products.

I will cite an incident that occurred in my own business in the fall of 1909. We were obliged at that time to extend lines of credit to our commission grain men four or five or six times the amount to which they were entitled, for the very reason that the people who were loading grain in cars, were securing bills of lading for that grain and forwarding them to the commission men with drafts for 75 to 80 per cent of their value.

The commission men, in the first instance, had to borrow the money with which to pay these drafts, and as they were paid the credit which they represented was transferred to the country banks, in order that their customers might have funds with which to pay their bills at the grocery stores, dry goods and hardware stores and every other debt of that community.

Gentlemen, what do you suppose would have happened in the fall of 1909 if the banks in Iowa and other sections of the country,

in sending in bills of lading with drafts attached for 75% of the value of grain could not have gotten credit in Chicago? It would have taken no seer to forecast the result. We were, in order to avoid impending disaster, compelled to loan the grain men to pay those drafts, even to the impairment of our reserves.

Fortunately, we knew that when the spring sun would come it would melt the snow and the grain would move in and the drafts would be paid. Fortunately, that situation could not last forever.

A grain man came to me one day and cited the following illustration as an evidence of the necessity for his securing credit. He said: "Ten weeks ago, a bank in Red Oak, Iowa, drew on me for a car load of corn, and I borrowed the money from you with which to pay for it. Not hearing from the car within a reasonable time, I started a tracer after it, and after waiting some little time and not having heard from it, I wrote to the shipper and asked him if he would not be good enough to trace it from the other end of the line. His reply was to the effect that it was not a difficult task to do this, as the car sat under the spout just where it was loaded many weeks before."

The credit which we had given to this grain man had, in fact, been outstanding for ten weeks, and in the multiplicity of just such transactions our reserves had been threatened. It would have been impossible for us to have continued this process for six months, as we would have been plunged into a panic the like of which the panic of 1907 would not have been a circumstance.

Do you think you are safe in the conduct of your business with such facilities to protect the credit of the country? I don't think you are. You go to your local bank. If the credits extended there are not out of proportion to their reserve they give you credit, but if they have loaned to a point where to extend additional credit would impair their reserve, they must get help from their correspondent, and that help must come from Chicago, New York or St. Louis in the last analysis. If the relationship between our reserve and the credits which we have extended is proper, we can discount their paper and give them credit; if it is not, there is not a place in Christendom where they can get credit, for we are as helpless as new born babes to relieve the situation in your community if we are compelled to depend upon our present currency system for it.

I contend we are sitting over a mine, as it were, all the time. We have spread and grown and improved in every direction. We

have raised this year from the soil, perhaps \$9,000,000,000 worth of products, and yet we have no business. We are all complaining today about slow business, the depression of business. It is due, in part, to an inadequate currency system on the one hand and, in part, to an agitation of politics, and to a criticism by one man of his neighbor without knowing very often what he is criticising. We have grown so in the habit of throwing bricks at our neighbors that we are retrogressionists. I contend that the most important question before the country is the currency question, and I believe that those who attend these conferences can do no more notable work or work that will redound to their credit more, Gentlemen, than to go home and exercise their energies to disseminate information regarding currency legislation. (Applause.)

I do not ask you all to agree with me, but to study the subject, and I am confident in the belief that you will come to the conclusion that the bill as presented is perhaps as nearly a perfect bill as we can get.

As I said before, it does not embody all the things that I would like to see in it, but I believe if it is adopted, it will give us an institution through which we can protect our credit to the extent of being able to extend credit, in times of pressure, in amounts necessary to meet the reasonable requirements of business. I believe it is as nearly safeguarded against over-expansion as is possible. I think the question of control is safeguarded, that there is not much danger of its falling into the hands of individuals and being used improperly.

I believe the money power now lies in the hands of a dozen men. I plead guilty to being one, in the last analysis, of those men. It is a responsibility that I do not want to continue, because I have no outlet; I have no place to which I can turn in time of need to discount the paper which your banks must at times send to me. Therefore, I am doing all I can to encourage the people of this country to co-operate with us and to enact a law which will protect our credits and foster our prosperity.

There has been a great deal said about centralization of power. I contend that this institution would cause a de-centralization of power. I believe that two or three in New York, two or three in Chicago and two or three in St. Louis could control the question of whether or not loans should be made to correspondents throughout the country. If you will stop and think a moment, you will realize, and I am sure you will agree with me, that reserve is not the power



that transacts business. The transaction of business is based upon credit; it is the vital force of all business transactions. What is reserve? Money which it is proposed to lay in the vaults of the association and will not be disseminated for use. If a man would carry a tin pail of gold to your office in some transaction, you would think he had been dead for twenty-five years and ought to be buried.

That reserve is lawful money of the country which the banks of the country are expected to carry in their vaults and for what? For protection against credits with that institution. What does that enable us to do? If you increase the amount of reserve in that Association, you increase the credit which it can extend. And what do you do with that credit? Do you leave it in my hands, or in the hands of two or three associations in the country? No, sir; you put it in the hands of five thousand banks scattered through this country, and in the last analysis you get the dissemination of that credit, not to any body of people in the reserve cities as is now the case, but back into the hands of the local bankers, the man who knows you in your respective home better than I could know you. And the man will be able, if this bill is adopted, to and can give you credit against your reasonable needs, provided you can convince him you are solvent and entitled to it.

The plan is that discounts may be made by any bank joining the Association, and twenty-five thousand can join it if they will—perhaps not so many because of the capital restrictions which would prevent that—but the majority of the incorporated banks can join the Association, and they will have a right to discount paper to an amount equal to their capital stock. So that if this becomes a law, in the future a bank in your community, in which you deal, will not be compelled to come to Chicago to see if it can get due credit, but it can go to the one of the fifteen branches nearest it and discount your paper to an amount equal to its capital stock.

If that is not de-centralization of the money power, I don't know what it is. Do you suppose I would be here advocating the adoption of a bill that would centralize it? Not by any means. And I want to say that if the bill would give to me, myself, that power, I would be the last man in America to want to assume that responsibility. In all these matters we must have a broader conception of our duty to our citizenship. We should remember that in proportion as other sections of the country prosper, just in that

proportion you are likely to prosper in your own city and community.

I say the bill that has been presented for your consideration is so constructed, I believe, as to provide against these threatened depressions in money and credit. I am not so foolish as to believe that any legislation can prevent panics. Just as a violation of the physical laws brings its punishment, just in the same measure an infraction of the economic law must always bring distress. If the people lose their heads and infract the law of economics, they will have to pay the penalty, and no law under Christendom can stop it. But I do believe the adoption of this law would create in this country, an institution with supervising powers that would, in the main, prevent those seasons of customary depressions, and, in the main, prevent panics; or, if panics should overtake us, we can at least prevent the seriousness with which they have affected the business world in the past.

I have heard, within a day or two, one criticism of the bill, coming from State banks. One gentleman, and in fact several gentlemen, have made the assertion that State banks and Trust companies are being discriminated against. I contend they are not. Under this bill, if it is adopted, it will be impossible for collateral securities to be used—and I apologize to my New York friends every time I make this statement, because I say that if a bill is properly formed it will be right to an extent where it will not make any difference what kind of security is used, so long as it is good, nor from what source it emanates—but this prohibition was incorporated only because the criticism of Wall Street has been so great that it was thought best to prevent its securities from being accepted as collateral; it has been so severely criticised that it was thought best to pay heed to a prejudice so widespread, but I have no patience with the man who claims that the bill discriminates against him for the reason that since the Association will not accept collateral securities for discount, he will not get any benefit from it. I say to that banker, let him take the responsibility of helping to carry the commercial risks of the community and he can discount his paper.

I have an inquiry from Mr. Jones, who asks: "Will you explain how the Aldrich plan discriminates against Wall Street speculations, and to provide for loans to stock speculators?"

MR. JONES: I wanted to know, if you would, how the Aldrich plans discriminate against Wall Street men. It seems to be thought

to be in our favor, and if you will explain how it is against us, I will be obliged.

MR. REYNOLDS: I think I might answer that very tersely and not very elegantly by saying that Wall Street could not have a look-in as the bill stands now.

MR. JONES: We are discriminated against?

MR. REYNOLDS: You are discriminated against. And I want to say, in this connection, and I say it with pride, that when that part of the bill was prepared, it was done so at the urgent request of three of the largest bankers of the City of New York. They said: "We recognize that no bill can be passed that will give us that right." They said: "It discriminates against us"—I wish I could tell you their names—they said: "We want to say to you here and now, you have built all the fences round Wall Street that you can; we have had no business for the last three or four years, or at least only general, and we have learned from experience that we would much better have prosperity throughout the country generally, as it will mean dollars to us through the general prosperity to where it means cents through special privilege. Does that answer your question?"

MR. JONES: I just wanted these gentlemen to understand that Wall Street does not get a look in, as you say. They can go and discount paper for a man in Red Oak, Iowa, but they can not discount a dollar for a man trading in stocks.

MR. REYNOLDS: That is the suggestion that came from those men. I think you will agree with me that there is a vast difference between loaning money on collateral and loaning on the responsibility of the merchants and manufacturers of the town. One is investment banking and the other is commercial banking; and this whole plan has been devised to provide for the automatic ebb and flow of business.

I find I have spoken much longer than I wanted to. I cannot refrain, however, from taking just a minute more, with your permission, to say this: That, to my mind, the problems which are confronting us today, are problems which should be settled by the business men of this country and not by the fanatics and cranks. (Applause.)

I want to say, also, here and now, that I believe every man who controls a large aggregation of capital, the business of which belongs to the public, owes a duty to the public in the handling of that money; and I want to say to you that I believe that every man who recognizes that duty and does what he can to discharge that duty and his own duty to the public, has a right to ask the public to protect that capital. We must exercise a more discriminate influence in all these matters. In recent years we have been so engrossed in our own affairs, that we have ignored the fact that what has been done in Washington might be of consequence to us. We are awakened finally to a realization of the fact that it makes a wonderful difference what goes on there and we are very much disturbed as to what is going to happen at Washington. Just what will happen there will be that which you Gentlemen permit to happen; just in proportion as you and I and other persons discharge our duty to the obligations devolving upon us, just in proportion as we do our duty to the public, just in that proportion have we the right to ask the public to co-operate with us to correct those things. I contend that this can only be done through going back, in the last analysis, to the people; it can only be done through creating a proper, sane and conservative public sentiment. The great trouble is there has been no discrimination. In one respect, a discrimination against aggregations of capital, but in other respects none.

I want to appeal to you people as business men, I want to appeal to you in the interests of your own individual business and the interest of your own communities and your own commonwealths, and in the interest of the Nation, which we all so much love; I want to appeal to you in the interest of better business; I want to appeal to you in the interest of better manhood; I want to appeal to you along the lines of higher principles in business; I want to appeal to you along the lines of higher ideals in personal relationship of managers of capital to the public to do what you can to help create a public sentiment which will not only settle the currency question along lines that will be right and fair, but which will settle all these questions which are engaging your attention at this time.

I thank you, and apologize for taking so much of your time. (Continued applause.)

THE TOASTMASTER: We have had two very interesting addresses on the subject of how to get a Merchant Marine. One of

those addresses was by Mr. Rosenthal, one of the prominent Chicago business men, the other by Professor Johnson of the University of Pennsylvania. I think I am safe in saying that they are diametrically opposite. We have another address to be delivered on "How to Get a Merchant Marine." I have no idea what his views on the subject are, but I take great pleasure in introducing to you Mr. James L. Ewell. (Applause.)

## THE RESTORATION OF OUR COMMERCIAL FLAG TO THE HIGH SEAS.

ADDRESS BY MR. JAMES L. EWELL,  
Secretary of the National Merchant Marine Association.

MR. EWELL: Mr. President and Gentlemen of the National Business Congress—It is hardly necessary for me to emphasize the fact that I appreciate the honor of an invitation to come out here and address you, but I do esteem it a great privilege to be able to place before such a distinguished body of business men another phase of what I consider a question, perhaps as great, if not greater, than the question that has been discussed by Mr. Reynolds, the gentleman who preceded me.

I want to say, too, that I share with my colleagues here, in the pleasure of the splendid entertainment that has been afforded us here, and last night we had an opportunity to see that Chicago was giving New York a hard chase in Grand Opera, which I enjoyed very much.

### OUR OVER-SEA TRADE THE CORNERSTONE OF OUR FUTURE PROSPERITY.

This land of the starry flag is known among the nations of the earth as "The Great Republic." We are great in population. Figures of the present census will surely show the population in excess of 90,000,000. We are great in our vast expanses of territorial area; great, likewise, in the varied products of soil and mine and mill. According to conservative estimates, we produced last year from soil and mine and mill, products to the value of not less than \$27,000,000,000. Of this production, we sent abroad a total of \$1,728,668,000 in value. Only one nation sends abroad to foreign

markets a greater total than we export. Four nations of the earth sell to others, more than \$1,000,000,000 worth of their production. These four, with their respective totals, are:

United Kingdom .....	1,835,739,000
United States .....	1,728,668,000
Germany .....	1,607,253,000
France .....	1,017,487,000

Of the vast total that we export, about \$600,000,000 represents the value of raw unmanufactured articles, such as cotton and grain—the balance is of articles that we have manufactured. The manufactured products include foodstuffs, such as flour and prepared meats and other manufactured articles such as machinery and the like. With the constant growth of our population, our exports of foodstuffs are continually shrinking. On the other hand, we send abroad increasing quantities of other manufactured articles like machinery.

If our prosperity is to continue, we must develop increasingly, our foreign trade. The reason for this is not far to seek. If the vast exports of the past year had been thrown, for any reason, upon the home markets, the result would have been a glut, with the consequent failure of our commercial classes and vast unemployment of our workers in every line of activity.

In our manufactured products we are able, in many lines, to produce as much in eight months as the home markets will take in twelve. It will be possible to keep our mills open and active only as we find a market for the full product of same. This is why our continued prosperity depends upon the development of our export trade, particularly in manufactured articles.

#### **OUR OWN SHIPPING A NECESSITY TO THE MAINTENANCE OF OUR EXPORT TRADE.**

If we are to safely hold our export trade, and still more, if we are to develop new markets in other countries, we must have our own means of delivery. It is well-known that no store trusts to a rival concern for its delivery service. Our exports are almost wholly delivered in ships. If we are to make these deliveries in the face of the trade rivalry of other nations, we must control the ships by which we send our products abroad. Other nations see very clearly the necessity of maintaining a merchant navy if a foreign trade is to be secured and maintained.

The way in which a nation's export trade is vitally connected with its merchant marine may appear from one or two illustrative examples. A few years ago, in fact until 1907, we had, plying between San Francisco and Australasia, three American ships known as the Oceanic Line. They made regular sailings from San Francisco every three weeks as mail and passenger and cargo steamers. The last year these boats were in operation, before being driven from the field by subsidized Canadian and Japanese competition, they carried from the port of San Francisco to Australasia \$28,000,000 worth of products. Last year, in the absence of any line from San Francisco to Australasia, depending exclusively upon tramp steamship service, our exports from San Francisco shrank to a total value of only \$2,000,000. Formerly we had an extensive market in South Africa. This market has been seriously impaired because a line of mail steamers, subsidized by Canada, and plying between Montreal and South African ports, has, by reason of government backing, been able to cut on New York rates to such an extent as to divert a large amount of trade from the United States to Canada. Freight of a given class, which pays \$6.70 per ton from New York to Cape Town, is taken from Montreal to the same port at a charge of \$4.26. It is not necessary to give other instances, though many might be adduced.

There is still another reason why it is necessary for us to have our own ships if we are to be secure in maintaining our export trade. A nation lacking its own merchant marine, depends for its facilities for delivering its foreign trade on the exigencies of international politics. Were England and Germany, for example, to engage in war with one another, those powers, in the prosecution of such a war, would withdraw from their merchant navies a very considerable proportion of the tonnage which they own. In the recent Boer war, although the South African republics possessed neither battleship, privateer nor merchantman, England, in the prosecution of that war, and incident to the forwarding and supplying of her troops, withdrew from her merchant marine a tonnage of, approximately, one million; 262,000 tons of shipping were withdrawn from the lines running between Great Britain and Boston. The natural result of the withdrawal of this large amount of shipping from overseas trade, was a sharp rise in freight rates, amounting in many instances, to 30% and over. This was, as one can readily see, injurious to our export trade. In fact, the first year of the Boer war,

the shrinkage in our exports and foodstuffs, amounted to \$48,000,000 as against the figures of the year preceding, and, in the second year, this shrinkage was \$67,000,000 as by the same comparison. Of course, this shrinkage was largely in values rather than volume, and the farmers of the Middle West, receiving less for their products than they otherwise would have done, helped to pay the cost of the Boer war.

In case of a Titanic conflict, such as that between Great Britain and Germany would be, our foreign trade would suffer an almost absolute stoppage, with resultant panic and disaster to our other national commercial interests, for England and Germany together carry a total of 80% of our export trade, and in case of war it would be necessary for them to at once sacrifice this business at our own great cost.

During the Napoleonic wars, when almost all of Europe was embroiled, as a result of the shipping policies pursued by our fathers, we had developed a vast merchant navy of our own, and not only was our foreign trade secure, notwithstanding the violent conflagration raging over nearly all of Europe, but as the most important neutral carrier, the conflict actually proved to our commercial advantage.

#### THE SITUATION THAT CONFRONTS US.

"It is not a theory" as one has put it. "But a situation that confronts us," and my purpose today is to open your eyes to the real gravity of the outlook. During the past one hundred years, since 1810, our foreign trade has increased fifteen-fold. At the first date, we carried 91.5% of our foreign trade in our own bottoms. We had an over-sea tonnage at that time of 981,019; today, after the lapse of one hundred years, we carry about 8% of our foreign trade in American ships and our tonnage is less in amount, by more than 100,000 tons, than it was a century ago; and this does not tell the whole story, for only a small percentage of our present registered tonnage is modern and engaged in actual service.

Admiral Robley D. Evans states that the most remarkable thing observed in connection with his voyage while in command of the fleet, was the absence of our flag from the great ports of the world visited by that fleet.

An English naval officer last season was riding along the waterfront of Liverpool in an electric train, when, looking out of the



window, he saw fluttering from the peak of a vessel in the harbor, our national banner. The sight was so novel that at the next station he left the train and walked back one-half mile to make an investigation. Asking the harbor master how often he docked vessels flying that flag, he was answered that although he had been harbor master for twelve years, this ship, a square rigged vessel, was the first flying the American flag which he had ever assigned to a harbor berth.

Prof. John C. Freeman, of the University of Wisconsin, on a recent visit to Copenhagen, the greatest port of the Baltic, inquired of the port authorities how often American vessels were seen in those waters. In answer he was told that the last American merchant ship to visit Copenhagen, was some eighteen years since, during the administration of Grover Cleveland.

One more instance will illustrate, perhaps, more fully than any other, our shameful condition. When, a few years ago, the Palma administration collapsed in Cuba, it became necessary for this government to send to the island a few thousand troops for the purpose of restoring order. We sent our "Boys in Blue," not upon ships flying our own flag, but perforce upon vessels flying the meteor flag of Great Britain.

### HISTORY.

Patrick Henry once remarked: "I know of no way of judging of the future, but by the past." In other words, "Hind-sight is better than foresight." Let us look back a little and see what we may learn from our maritime experience in the past, and judge to what extent we may be guided thereby in our plans for the future.

### A PERIOD OF DISCRIMINATING DUTIES AND TONNAGE TAXES.

When the Washington administration came into power on March 4, 1789, a situation very similar to that now existing, confronted our people. Our total over-sea tonnage amounted to but 123,893, and of our foreign trade 77.4% was carried in the ships of other powers. One of the first concerns of the new administration was to remedy this intolerable situation. Upon the meeting of the first Congress, a petition was presented from the merchants and ship owners of Baltimore, running in part as follows: "Your petitioners, on whichever side they may turn their eyes, see reason to believe that the United States may soon become as powerful in ship-

ping as any nation in the world. \* \* \* Permit us to add that for want of national protection and encouragement, our shipping, that great source of strength and riches, has fallen into decay and involved thousands in the utmost distress."

In response to this and similar appeals, on July 4, 1789, the first Independence Day of the new nation, Congress enacted a law imposing discriminating duties and discriminating tonnage taxes in the interest of the protection and promotion of our own merchant marine. The discriminating duties ranged from 10% and upwards in favor of imports carried in American ships. The discriminating tonnage tax made all foreign vessels pay a tax of 50c per ton gross on each entry, while American vessels paid a tonnage tax of 6c per annum.

The result of this, and other similar measures, may be seen from the public records. I will only say that by the year 1800, eleven years after the enactment of this measure, our foreign tonnage had increased more than five-fold, totaling 667,107, and the proportion of foreign trade carried in our own vessels had grown to 89%. Ten years later, our foreign tonnage had increased to 981,019, and we were carrying in our own ships 91.5% of our foreign trade. The wisdom of this early policy thus was amply evident. However, shortly after this the War of 1812 came on. In 1815, at the conclusion of this conflict, we abandoned our discriminatory policy, and beginning first with Great Britain and later with the other powers, we entered into reciprocal arrangements under which we agreed not to impose either discriminating duties or tonnage taxes upon the ships of other nations.

What was the result of this abandonment of our early policy? The figures tell the tale. In 1820 our over-sea tonnage had declined to a total of 583,657, and by the close of another decade, by 1830, the total was only 537,563. After this American enterprise began to make itself felt in spite of the lack of adequate government assistance, and by 1840 our over-sea tonnage showed a total of 762,838. By 1845 we had nearly regained the figures of 1810, the total tonnage then amounting to 904,476.

#### THE GREAT PERIOD OF AMERICAN MARITIME EXPANSION.

In the decade between 1845 and 1855, we witness the greatest growth that our merchant navy has ever known. In that single decade our merchant tonnage engaged in over-sea traffic increased

nearly three-fold, or from a total of 904,476 in 1845, to 2,348,358 in 1855. This is of itself a long story and we can sketch in only a few items of the total.

In the later thirties, American ingenuity, enterprise and skill had produced sailing vessels which were showing a "clean pair of heels" to anything that British dock yards could launch. The result was that our ocean carriers were securing the cream of the over-sea carrying trade. We had been the pioneers in steam construction, the first steamboat having been launched, as we all know, in American waters. In 1838 our coastwise steam tonnage was nearly three times as extensive as that of Great Britain. But at that time, Great Britain, seeing that she was distanced in the sailing competition, resorted to steam and began her policy of subsidizing ocean mail steamers, under which she has since expended more than \$300,000,000 and which has resulted in giving her some thirty lines of great mail steamers, which run from England to every quarter of the globe.

In 1839 England engaged with Samuel Cunard and his associates to pay toward the maintenance of the steamers known as The Cunard Line, a subsidy of \$425,000 annually. This was about 25% of the estimated running cost and the amount which was deemed necessary in order to put these steamers on the same financial basis as sailing vessels. Our seamen at first laughed at the lumbering steamers, and in fact in many cases, our crack sailing craft could outrun them. The Palestine, of the Morgan Line, to London on one occasion landed her passengers at Portsmouth in fourteen days from New York, squarely beating the Cunard steamer, sailing at the same time, and on her first homeward voyage from Liverpool to New York, the Dreadnaught, clipper ship, reached Sandy Hook just as the Cunard steamer Canada, which had started one day ahead of her, reached Boston. But the steamer had come to stay and by 1845 it became apparent to our shipping interests, and even to our national government, that if we were to maintain our place in over-sea commerce, we must follow England's lead and subsidize steamship lines. The only trouble was that we were about five years too late.

In the year mentioned, we passed an Ocean Mail bill, known as The Tyler Act. It was not a party measure, but was non-partisan in its character. Among its advocates were such men as the Democratic Senator Thomas Butler King, of Georgia, who said in advo-

cacy of this measure: "It is sufficient to show that they (British statesmen) are resolved, as far as practicable, to monopolize the intercourse between these two important points. This movement shows clearly that the time has arrived when we must decide whether we will yield this essential branch of navigation, or whether we shall promptly extend to our enterprising merchants, the necessary means to enable them to bring American energy, enterprise and skill to the successful competition with British sagacity and capital."

Two years later, in advocating the strengthening of this same measure, President Polk, in his annual message to Congress, said: "The enlightened policy by which a rapid communication with the various distant parts of the world is established by means of American built steamers, would find an ample reward in the increase of our commerce and in making our country and its resources more favorably known abroad. But the national advantage is still greater—by having our naval officers made familiar with steam navigation and of having the privilege of taking ships already equipped for immediate service, at a moment's notice, and will be cheaply furnished by the compensation to be made by the transportation of the mail over and above the postage received."

As a result of this policy of subsidies, our steamship lines multiplied upon every over-sea route. Perhaps the most notable development was that of the Collins Line between New York and Liverpool. The vessels of this line speedily distanced everything that the English had afloat. Not only did they gain all the records, but they forced trans-Atlantic freights down from \$35 a ton to \$20 a ton. The last and greatest of these steamers, the Adriatic, held all speed records long after the abandonment of our enlightened policy had driven this and other lines into liquidation, and had led to this vessel's transfer under the English flag.

These boats of the Collins Line received, substantially the same compensation received by the Cunard Line, although they averaged practically two days less in crossing the Atlantic than did the latter, and thus not only furnished better service, but added to our commercial and national prestige. The Cunard Company, appealing to the British government for more assistance, had its subsidy advanced to \$856,871 per annum. We followed suit, and in 1852 increased the Collins subsidy to \$850,000 annually. Great Britain then desisted, seeing that we were willing to match her payments.

Had we resolutely pursued this policy down to date, without any question, instead of Britannia ruling the wave as she does at the present time, Columbia would be empress of the waters.

The wise men of that time saw the value of a policy of generous steamship subsidies. Senator Bayard of Delaware, in debating the proposed addition to the Collins Line subsidy, said: "I am willing to trust American skill and industry in competition with any people on the globe when they stand nation to nation, without government interference, but if the treasury of a foreign nation is poured into the lap of individuals for the purpose of destroying the interests of my country, or for building up a commercial marine at the expense of the commerce and prosperity of the United States, I, for one, will count no cost in countervailing such governmental action on the part of Great Britain, or any foreign power."

Senator Shields of Illinois declared that "It was impossible for American private enterprise to succeed against private British enterprise backed by the money and energy of the British government."

However, about this time the War of the Sections was drawing on and the question of subsidizing our merchant marine became a partisan issue. The result was the final abandonment of the policy which, in ten years, had wrought such marvelous results, and the cessation of the growth of our merchant navy, for, in the five years elapsing between 1855 and 1860, we added to our marine tonnage scarcely an increase of 30,000 tons.

During the Civil War and as a result of the same, we lost approximately 1,000,000 tons of shipping, 200,000 of which were destroyed by the Anglo-Confederate cruisers and the balance of which were passed by sale under the flags of other nations.

Had we, after the war, resumed the policy which we had abandoned ten years previously, even then it would not have been too late for us to regain our lost glory. Nothing, however, has been done since that time, save occasionally, as in 1891, in a half-hearted and faltering way. The result has been the continued decline of our merchant marine from 1855 practically until the present year of grace, fifty-five years later.

#### PATRIOTIC CONSIDERATIONS.

But this is not simply a matter of commerce and of dollars and cents—it is a matter of the gravest national concern, and calculated to profoundly move either party. Our lack of an adequate mer-

chant marine leaves us practically helpless and defenseless against an aggressive and vigorous foreign foe. We boast of our mighty navy, but the Naval Board will tell you that, through lack of a merchant marine to supply the necessary colliers and auxiliaries, it could not, on a sudden call, develop 10% of its rated efficiency.

How helpless we are was shown at the time President Roosevelt sent our fleet around the world. Napoleon used to say that "an army fights on its belly." In other words, that without an adequate Commissary Department, the best military force would speedily fade away and disappear. It is equally true that a battle fleet sails and fights upon its coal bunkers; but when we came to send our fleet around the world, it was necessary to charter twenty-seven colliers to convey the coal for these bunkers. Lacking vessels of our own, we were compelled to go afield and hire vessels belonging to other nations. Had a solitary shot been fired during the progress of this armada around the globe, under international law every one of those colliers would have been obliged to sail away and desert our fleet, possibly in mid-Pacific, leaving those mighty vessels to their fate, derelicts, as helpless as "painted ships upon a painted ocean."

Japan, as the result of an enlightened and aggressive policy of subsidies, has developed within the last ten years, a fleet of no less than 206 mighty merchant steamers, not one of which registers a tonnage of less than 2,000. What this means to us may be gathered from the recent remarks of Major-General J. P. Story, U. S. A., who writes: "Japan has now supremacy in the Pacific. In the event of war, that supremacy could not be challenged until we had constructed a sufficient fleet of colliers. Japan can, within three months, land on the Pacific coast 400,000 troops and seize, with only insignificant resistance, Seattle, Portland, San Francisco and Los Angeles. A barrier of mountains and deserts makes the defense of the Pacific slope an easy matter against an attack from the East, and only from that direction could the United States hope to recapture its lost territory."

Why was it that Mr. Roosevelt, who is not fond of "eating humble pie," readily partook of a diet of that description at the invitation of the Mikado in the matter of the San Francisco public school issue? If you or I went journeying to Tokio, we would find that on arriving there we would be assigned to lodgings in the foreign quarter, as all foreigners are under the police regulations of

that city and government. But when in San Francisco, the San Francisco School Board, on finding that a number of Japanese young men desired to learn English, and thinking it better for all concerned that, instead of sitting with our boys and girls in the primary grades, they should be assigned for instruction to separate schools for Asiatics, the Japanese government took umbrage, and under the "Most favored nation" clause in the treaty existing between us and that nation, demanded that their young men should attend school when and where they pleased, regardless of the perfectly proper and reasonable regulations made by the School Board of the aforementioned city, what was the action of our government in the situation? A perfectly proper course would have been to have told the Mikado that if he would mind his own business, as we were perfectly satisfied that he should do, we would attend to our own affairs without soliciting his advice. Instead, however, of taking this position, President Roosevelt, finding on inquiry from the Army and Navy Departments, that we were in no position to call the Japanese "bluff," promptly stepped up to the counter and consumed a dish of crow.

I hardly think that the Japanese would have gone to the extent of fighting over the question, but the Mikado had a gun and had the drop on our Teddy, and our Teddy, like a wise man, promptly held up his hands. But is it flattering to our national pride or in consonance with our national safety, to allow a situation under which we are exposed to insult and offensive aggression?

#### PANAMA CANAL.

At vast expense, totalling, perhaps, in the neighborhood of \$500,000,000, we are engaged in constructing the Panama Canal, one of the wonders of the world. It will make the entire west coast of South America accessible to modern enterprise and development. The result will be that almost immediately on the opening of the Canal, the whole west coast of the continent to our south, will experience such a development as the world has probably never known. There will be an immense demand for machinery, for every variety of manufactured product and of those articles that we can most readily and naturally supply; but the English and Germans own the ships, and, unquestionably, those ships will be used to advance their own commercial interests and to secure for themselves the lion's share of this rich trade. We appear to be engaged in the most tre-

mendous altruistic project ever known to man. We seem to be building this magnificent work in the interests of our commercial enemies and trade rivals. Had we ships to sail through this waterway, our Gulf cities in particular, and in a less measure, the rest of our land, would experience a marvelous development of industry and commercial activity as a result of the trade opportunities on the west coast referred to. Lacking an adequate merchant marine, it looks as though we would be compelled to keep in the rear and be satisfied with a few crumbs swept from our competitors' table.

#### WHAT SHALL BE THE REMEDY? SHALL WE TRY DISCRIMINATION?

There are those who suggest returning to the policy of our fathers and imposing discriminating duties on imports in foreign bottoms and discriminating tonnage taxes against foreign ships. Now, while we are aware that this policy worked marvelously during the first twenty years of this government, we are equally sure that it is a policy that could not be applied in the present exigency. We have diplomatic engagements with a score and more of the other nations of the world, which would prevent this discrimination, unless we first abrogated these arrangements. Some have suggested that this be done, alleging that in order to secure an omelet, it is necessary to break a few eggs. Discriminations, however, are of more than doubtful value. France, in 1872, tried this policy of discrimination. President Grant of this country, promptly issued a proclamation of retaliation in which he was joined by practically all the powers of the world. The result was that after a year's experience, France abandoned the policy of discrimination as impracticable.

A similar policy engaged in by the United States, would, at once, provoke world-wide retaliation and we should be worse off than we now are.

#### SHALL THE REMEDY BE FREE SHIPS?

We have those, on the other hand, who believe that if we repealed our Navigation Acts, and admitted to free registry ships built by other nations, our own merchant marine would speedily be replenished. However, those advocates leave out of sight several things. Most of all they leave out the increased cost of operating an American owned ship. The buying of cheap ships would not



provide us with cheap labor with which to man them. Then still further, the ships of other nations, particularly those belonging to the most efficient class, almost without exception, are in receipt of generous governmental aid. Of the three hundred or more 20-knot steamers plying upon the various trade routes of the world, scarcely one does not receive a government subvention. If we simply offered to allow our merchants to buy ships freely in every market, there is not the slightest reason to suppose that any advantage whatever would be taken of such an opportunity. In fact, within recent years a number of the steamers that we already owned have been transferred from our flag to other flags because of the increasing cheapness of operation resulting therefrom. The steamers of the Red Star Line, the Finland, Kroonland and Samland, have only within the last year or two been put under the Belgian flag for the reason mentioned, although they already enjoyed the doubtful advantage of American registry.

#### SUBSIDIES.

We now come to the remedy which is employed extensively by almost every nation on earth, save our own—the provision of special bounties or subventions for the development of a national merchant marine. Some seem to be afraid of the word “subsidy.” Allow me to quote from Mr. Justice Miller of the Supreme Court, on this question. He says: “Bounties granted by a government are never pure donations, but are allowed either in consideration of services rendered, or to be rendered, objects of interest to be obtained, productions or manufactures to be stimulated, or moral obligations to be recognized.” In other words, subsidies are granted to subserve some public need, or to advance some public interest. The proposed shipping subsidies are not exclusively in the interests of a class, still less in the interests of any individuals of a given class. They are in the interests of the peace and prosperity of the entire people.

Our Mr. John D. Long in debating the question of ship subsidies before the Pittsburg Chamber of Commerce, was answered by his opponent, the editor of the Johnstown Democrat, with the statement that he, the editor in question, was opposed to the principle of taking money out of one man's pocket for the benefit of another man. Now this sounds very platitudinous and self-evident, but in the city where I reside, we have certain avenues where you will scarcely find a baby to a block, but where the property is assessed

at an extremely high valuation, and the owners, in consequence, pay very large sums in taxes. In other sections of this same city we have streets where for block succeeding block the inhabitants own scarcely anything else but babies and pay no taxes to the city at all. Yet we take this money, collected from the men who have no children and with perfectly clear consciences, spend it lavishly in building school houses and paying teachers for the instruction of the children of the parents who pay no taxes. The same principle applies in every other field of human government and activity, and the wisdom of the subsidy policy is shown by the fact that the leading nations of the world are this year paying out in postal bounties, admiralty subventions and other forms of shipping subsidy, approximately, \$50,000,000. Canada to the north of us, is maintaining no less than ten lines of ocean mail steamers at a cost to the Dominion of \$1,750,000. This is, approximately, 2% of the total revenues of that government. If we used the same generosity, we would be expending \$20,000,000 a year for this purpose.

I herewith give you the totals of a few of the leading powers, showing what they are expending for the upbuilding of their merchant navies:

France .....	\$13,423,737
United Kingdom .....	9,689,384
Japan .....	5,413,700
Italy .....	3,872,917
Spain .....	3,150,120
Austria-Hungary .....	2,984,530
Germany .....	2,301,029

I am aware that many statements reflecting on a subsidy policy have appeared from time to time in the public press. During the past winter there were no less than four circulars issued to the American public opposing subsidy legislation. They were issued anonymously, except in the last instance, and in this last case we traced the article in question to the agents of the South American shipping pool. These same people in the investigation conducted by Congress admitted the existence of a South American Shipping Trust and the payment of rebates to their favored patrons. At the same time it was admitted by them that their publicity was secured through their advertising channels, showing where the money consideration came in in connection with this whole situation. It is

the foreign shipping interests which have systematically sought to becloud our American intelligence in this whole matter.

We would not advocate construction bounties such as are given by France, Italy and Japan. These countries have, by such measures, wonderfully developed their merchant navies, France in the last thirty years having more than doubled her merchant marine; Italy increased hers three-fold and over, and Japan, since 1896, having practically created a modern merchant navy now aggregating nearly 1,500,000 tons. The last named nation will give to a new steamer \$10 for every ton of her registry, \$2.50 for every indicated horse power of her machinery. A boat like *Tonyo Maru* will receive, upon completion, a bounty of \$210,000. However, we only ask that our government do for our citizens what Great Britain, Germany, Spain, Norway and other powers are doing for theirs. Our people possess enterprise and ability, but they are not competing against similar enterprise and ability in foreign nations, but against the power and resources of foreign governments backing up their citizens, and unless we are prepared to get off the map, we shall have to take similar measures. I do not believe that the American people, once the facts are made clear, will long endure the present intolerable state of affairs, and the reason why the National Association of Manufacturers is engaged in a nation-wide campaign in the interests of the revival of the American merchant marine is because we believe that the American people will respond to an appeal, based, as ours is, upon business and patriotic considerations. We do not ask for partisan action, but urge all parties to unite in the interests of the public weal and for the honor of our common flag in taking such measures as will restore once more our banner to the seas. The National Association of Manufacturers feels that it can embark upon no nobler or more worthy project than advocating at the bar of public opinion this great question, and we have every reason to believe, from our experience in every section of this country, that the public response will be emphatic and that in the near future Congress will be compelled by the voice of the people to give us a subsidy measure, which will once more allow us to hold up our heads without shame before the nations of the world.

Gentlemen, I thank you for your kindness. (Applause.)

THE TOASTMASTER: Gentlemen, our good friend, Mr. Rosenthal, has told us one way by which we can increase the export trade of our country. He has still other thoughts on that subject, and he will present them to us now. (Applause.)

## HOW TO INCREASE OUR EXPORTS.

MR. BENJAMIN J. ROSENTHAL: Mr. Chairman and gentlemen: The very lateness of the hour brings to my mind a little story which, undoubtedly, many of you have heard. It seems that a Chinaman had been arrested charged with stealing a dog. He had been brought before the court and owing to the fact that he could not speak English, an interpreter was employed, and the examination finally resolved itself down to a question of the color of the dog. One of the counsel said to the interpreter: "Ask the Chinaman what was the color of the dog?" The interpreter asked the question and the Chinaman kept talking about fifteen minutes, and finally the court became disgusted and turned to the interpreter and said: "What did he say was the color of the dog?" The interpreter said: "He was a yellow dog." (Laughter.) And so, gentlemen, I could say in three words almost what the Chinaman took a half hour to say, and could give you the gist of the conversation, and, because of the lateness of the hour, I feel almost inclined to do it.

The question is, how to get foreign business, and the answer is: "Go after it." But we speakers got our supper for nothing. You paid for it, and one of the conditions was that we would have to talk for it, and, therefore, I think I feel obligated to the National Business Congress, even at the expense of keeping you here to hear me talk for my supper; besides that, they paid my railroad fare here tonight. I came from Fifty-third Street on the Illinois Central, and I have to talk for that. Therefore, I am going to try to keep you here as briefly as possible, but I might also add that I missed my train, owing to the lateness of the hour, and I cannot get out for half an hour, and am going to make you stay if you will.

The subject I am to present did not originate with me. It was promulgated from the fertile brain of the late Volney W. Foster, who was one of the charter members of the National Business

League of America, and one of Chicago's most respected and distinguished citizens. He passed from this world about seven years ago, but while he was alive he discussed the subject of an international trade court, as we expressed it, at various times. After his death I decided, because I was deeply interested, that I would study the subject, although I never felt and do not feel now that I could do the subject justice.

Last year during a visit abroad I made careful investigation of the industrial conditions, paying special attention to the foreign labor, and comparing it with the labor situation at home. I also made a comparison with the organization, system, advertising, energy, and everything in connection with the industrial system, as well as a study of the needs of the people abroad, so as to ascertain, if possible, to what extent we might profitably supply them. I appreciated at the time that it was a big undertaking, but I endeavored to cover as much ground as possible, and the result of my investigation led me to the conclusion that England and the continent are greatly in need of much that we can spare, and that the opportunities for doing a large business abroad are practically unbounded. I am satisfied that the reason we are not doing a much greater export business is either the lack of confidence in our ability to get it, or our indifference, which prevents our going after it. We have become so accustomed to swapping dollars amongst ourselves, and up to quite recently we have passed through such a wonderful commercial expansion in our own country, that we have almost, except in a few lines, overlooked the great and profitable foreign business. If manufacturers have hesitated to go after the foreign business because they have compared the scale of wages paid workmen abroad with our own, let me assure them from a careful observation that the wage scale is a misnomer and cannot be used as a fair basis of computation. I make the broad general statement—and I have no fear of honest contradiction—that except in the case of a few special lines where expert or special workmen are employed in trades, that I might call inherited, the American workman at his own wage can produce the same article at a lower price than the foreign workman at his. The explanation is simple. Our great natural resources, our skilled labor, our boundless energy, our superior working conditions, our selling and advertising genius, our cost system and our up-to-date machinery—these, with our prompt cash basis of trading, make a combination that so far offsets

the so-called cheap labor, that I am convinced the statement that I make that we can produce almost anything at a lower price than it can be produced abroad can be fully borne out. Does any one within the sound of my voice believe that men and women with emaciated, underfed bodies, working under miserable conditions at starvation wages, can concentrate that physical and mental force that is required to properly produce results? This in a large measure is the competition the American manufacturer is confronted with, and I am not drawing upon my imagination in the least when I make this statement. Why, when you see strong, able-bodied men pulling wagons in the street you can quickly deduce the fact that a horse is considered more valuable than a man, according to the foreign standard, and that human intelligence counts for nothing. This country has arrived at the parting of the ways. It must either go backward or go forward. It must find places for the million male emigrants, many of them skilled artisans, coming to it annually, or it must turn them back; and with our abundant and almost unlimited resources we will not do the latter, I am sure.

We have for the past fifty years depended upon our export of food stuffs, but even to-day this situation is changed, and now our exports of manufactures exceed our exports of food stuffs, and as our population increases we will more and more require these food stuffs to supply our home market. Therefore, there is but one avenue open, the industrial. To-day we have a great deal of idle labor in this country, and there is absolutely no need of the existence of this deplorable condition. It is true that the demand at home is not sufficient to keep this labor employed, but why must we depend upon *home* consumption?

Every business man knows that the cost of production steadily decreases in a properly organized factory as the production increases, so that if we can operate our factories to their fullest capacity we immediately accomplish two beneficial results: First, we reduce the cost of production, thus lowering the cost of living; and second, we keep labor employed at good wages; for after a specified production is reached the overhead increases very little, and labor can be better paid by reason of the increase of production and still the cost of production be decreased. Therefore, if I am right—and I do not think any one will dispute it, for to increase our output is what we are all straining and striving to accomplish—then the only difficulty is to find a market for this in-

creased output. Advertising has been successfully resorted to, and sending salesmen into new territory has also been a means toward this desired end, *but always in America*, and to-day we are all doing the same thing, and consequently it is costing us more to do business than formerly.

Now, why not take a short cut to prosperity? I claim the foreign route is the one that is the least covered and affords by far the greatest opportunities, and that if we would reverse the scheme of shutting down valuable plants and throwing them on the scrap heap to reduce production, or combining interests and reducing the production to meet a certain demand, and agreeing upon a price not governed by the actual cost of production, but by a so-called gentlemen's agreement, and if we would start up all these plants that took genius and time to build up, and go after the foreign business, every factory would be so busy filling orders that it would not be necessary to agree upon prices in order to keep some factory that was *not* busy from cutting them.

With no apparent effort, except in a few lines that have built up a profitable export business, we gained about three hundred million dollars in our exports in the fiscal year 1911 over 1910, exporting in 1911 over two billion dollars. To give you a few statistics: In manufactures ready for consumption there were exported in the year 1901 a little over three hundred million dollars and this year about six hundred million dollars. In boots and shoes in 1901 five and a half million dollars, and this year thirteen million seven hundred thousand dollars. In builders' hardware and tools, in 1901, nine million dollars, and this year seventeen million dollars. You may consider this a good showing, but I cannot agree with you if you do, for the opportunity is so great that this increase, although large, is nothing to what we could get if we would only go after it. Now this increase took place despite the fact that our wage scale was so much higher.

Plants for manufacturing American agricultural machinery are now in operation in foreign countries. These plants, of course, are owned by Americans, yet our exports of American-made mowers and reapers alone last year were greater than that of all agricultural implements ten years ago. Ten years ago we exported two million dollars of plows and cultivators, while last year we exported nine million dollars. In 1902 we exported one million dollars in automobiles, last year thirteen million dollars. In the last fiscal year the

gain in this line alone was three and a half million dollars. Large increases were shown in the export of photographic goods, mineral oils, electrical appliances and machinery, typewriters, sewing machines, cash registers, metal working machinery, pipes and fittings, iron and steel work. Within ten years the export of copper bars, pigs and ingots has increased from about forty million dollars to about one hundred million dollars. All this in spite of the fact that except with a few articles there is still a tenacious clinging to the home market, still a great diffidence as to over-sea commerce.

A great deal of the increase of our export business is due to the demand that has been created abroad by Americans living over there or visiting there, and through advertising, but hardly through any great effort on our part.

If the proper effort were put forth in the first instance to secure foreign trade, there would be no necessity for holding congresses, when conditions are bad, to ascertain the causes of the depression. Note the activity of the *foreign* exporters since the canal we are digging is nearing completion. Germany and England especially are making vast preparations. They are both building new ships to put on that route as soon as the canal is opened, ships of double and treble the tonnage of those now in use, because they realize the possibilities of the situation, and they know that their trade will largely increase when we finish the canal which it now appears we are building for their benefit. We witness all these activities to steal the trade right under our very noses, and do not retaliate. The Germans, the English, the French and the Belgians send their traveling men all through South America and we make no effort to compete with them, but continue the fight for trade in North America, constantly fighting amongst ourselves and cutting the throats of our own manufacturers instead of going after our competitors from across the sea. Why, the European buyers have to come to us for our goods instead of our going to them, and this in a large measure is responsible for our increase of exports. Whenever our manufacturers are ready to go after the foreign trade it will not be difficult to compete with the foreign manufacturers and sell goods right at their very doors. But we must do more than wait for the buyers to come to us. We must create proper banking facilities and establish agencies and branch houses just as the European manufacturers have so successfully done.



In order to allay any possible fear in your minds as to our facilities for securing accurate financial reports upon which to base a credit, I am glad to be able to state that the commercial agencies in our country are splendidly equipped for this service. One of them has seventy-one branch offices abroad, each one in charge of a trained American, and this agency supplied 3,112 reports to America this year, and the other large agency is affiliated with the most reliable agency abroad, so that both of these concerns can furnish a report on a foreign corporation almost as quickly as they can on one at home, and equally as reliable. These agencies also have lists of importers which they can furnish to those who are interested in exporting, so that these lists may be circularized, if desired. Another matter that might relieve our American business men, is the fact that the percentage of solvency abroad is greater than in America.

The percentage of exports of other countries in proportion to the volume of their manufactures far exceeds that of the United States, even with our vastly increased facilities. In a report of the International Harvester Company of September 1st of this year, the President says: "The total volume of business at this date is slightly in excess of what it was at this time last year. The foreign trade shows a substantial increase." Now what would the International Harvester Company do without its foreign business? But if you go abroad and note the effort that it makes to get this business and the way it is handled, you would not wonder at its vastness. I asked a manufacturer of typewriters quite recently what per cent of output he sold abroad. He told me over 33 1-3 per cent. He said his company would not know what to do if they lost their foreign business, which they were steadily increasing. He also told me that it took no greater effort to get the business over there than in this country.

Europe needs America and America needs Europe. She stands ready to take our surplus and pay us good prices for it. Why, many things that we produce in abundance she does not even know we have for sale!

To-day we sell many shoes and leather specialties, typewriters, kodaks, graphophones, sewing machines, razors, drugs, automobiles, farm implements, cotton goods, cash registers, pianos, guns, skates, fountain pens, bicycles, corsets, watches, billiard tables, linotype and printing machines, slot machines, hardware, furniture, filing sys-

tems, lithographing presses, dynamos and electrical apparatus, engines, wagons, trucks, gas fixtures, cigars, laundry machinery, fire extinguishers, scales, machine tools, vacuum cleaners, elevators, petroleum tanks, picture frames and mouldings, tin goods, rubber tires, savings banks, surgical supplies, paints, chemicals, zinc, railroad cars, dental goods, plumbing supplies, stoves, iron and steel manufactures, collars, shirts, ready-made clothes, whiskey and food stuffs. You may judge from this list what a variety of commodities we now furnish to other nations. Still in most of these lines the surface alone has been scratched. With the same effort that the manufacturers of these goods make to dispose of them in this country, they can double, treble, and even quadruple the business even on these lines. There are many other lines that we export in small quantities that we could do a big business on if we went after it. There is a great demand for American made goods, and the four hundred thousand travelers who annually go to Europe wearing and talking about our manufactures are an advertisement for these goods that is more effective than if we spent millions of dollars in magazine and newspaper advertising over there. And yet we do not follow up this great advantage. It is not very long since our life insurance companies went after the foreign business, and what is the result? The increase abroad is phenomenal, showing conclusively that when Americans go after business in the right way, it is not difficult to get it.

I think I have already dwelt at too great length upon the necessity of extending our over-sea commerce. I believe that what you would like to know is what I propose as a means to gain this end. I propose that the various manufacturers of this country who have anything to sell that can be exported form a national organization and this organization select as a general manager a high-grade, experienced organizer. After he has gathered together all the manufacturers who will join this movement, he can then proceed to Paris, where I am sure suitable arrangements can be made for a proper site for a series of buildings for permanent exposition purposes. From the investigation I made abroad the government of France will, I am sure, welcome such an organization, and I believe that all goods for this exhibit would be admitted free of duty by France. The American Chamber of Commerce in Paris, a representative organization of Americans living abroad, would aid us in this movement, and their support would be of material help.

The next move would be the leasing of such space as would be required by the various exhibitors who wish to engage in the export trade. This space, of course, could be leased at a certain square foot rental per annum, and the amount realized from this rental must, of course, be sufficient not only to maintain the exhibit in a proper way, but to leave a surplus to take care of the annual retirement of the bonded indebtedness that would be created in erecting the required buildings. I am sure that the demand for space would far exceed the supply. But in order to demonstrate whether or not my theory be correct no obligation need be entered into beyond the employment of a general manager until it were fully shown that there were enough manufacturers to form an organization and put up the money to erect the buildings and take space in sufficient amount to defray the expense of maintenance and retirement of the bonds. Space could be leased separately or jointly, so that a small exhibitor of any size could be accommodated. Small exhibitors could also join with others in the division of the expense of a traveling man or representative of the exhibit, so that each exhibitor would have a representative. Thus it would not be merely an exhibition, but an organized selling campaign, for an exhibit without a thoroughly organized selling force would be of little aid. We already have such an exhibit in the large number of travelers who go abroad wearing and talking about what we make and sell. American manufacturers who already have a selling force and agencies abroad would, I am sure, join this organization gladly.

The reason that I select Paris as the place for this exhibit is that it is within a night's ride of two hundred million people. Not only do many of these people visit Paris, but almost every one who goes abroad from South America and other countries visits Paris, and I believe it is unquestionably a fact that such an exhibit in Paris would be seen by more people than if it were located in any other city. The government of France and the municipality of Paris do much to attract visitors to the city. Besides, the expense of conducting a selling campaign would be less from Paris than from any other point, as Paris is nearer the center of population abroad. I think it would cost us less to send traveling men to Paris and then have them travel abroad than it would cost to send them from New York to California. A man traveling from Paris could conveniently and at a small expense visit France, England, Germany, Russia, Belgium, Spain and many other European countries

which are large consumers. After this exhibit is successfully launched a like exhibit could then be opened at Buenos Ayres, the capital of Argentina.

I will not attempt to work out the details of this plan. There are many men more capable of doing this, but I only want to add in conclusion that the war from to-day on is not one of armies or navies, but one of commerce. The brains of the country will be engaged principally in commerce, and that nation which is the leading *commercial* nation will be the *greatest* nation in the world. *We* have that opportunity. It is knocking at *our* doors. Will we close them, or will we open them wide and welcome it with open arms, and never rest until we have woven a commercial belt that will extend around the world and the products of our manufacturers be found in every household? If we do not do this, other nations will. Manufacturers of America, awake, and get together, and let the fires of industry in America burn so brightly that the rising smoke and flame may be seen plainly from every corner of the civilized world. This is your opportunity. RISE TO IT! (Applause.)

## Accredited Delegates to the National Business Congress

### DEPARTMENT OF STATE—WASHINGTON.

Honorable John Ball Osborne.

### NATIONAL ASSOCIATION OF MANUFACTURERS.

William L. Brown, Chicago.	Herbert E. Miles, Racine, Wis.
J. G. Battelle, Columbus, Ohio.	Albert H. Mulliken, Chicago.
C. S. Brantingham, Rockford, Ill.	O. H. Morgan, Chicago.
J. P. Bird, New York City.	A. C. Marshall, Dayton, Ohio.
George S. Boudinot, New York City.	A. Parker Nevin, New York City.
J. E. Bullock, Chicago.	D. M. Parry, Indianapolis, Ind.
W. H. French, Chicago.	Walter B. Pearson, Chicago.
Clarence S. Funk, Chicago.	W. E. Ritchie, Chicago.
Irving T. Hartz, Chicago.	T. M. Sechler, Moline, Ill.
Charles M. Jarvis, New Britain, Conn.	O. H. L. Wernicke, Grand Rapids, Mich.
L. D. Kellogg, Chicago.	John Kirby, Jr., Dayton, Ohio.
H. H. Lewis, New York City.	Charles D. Mitchell, Chattanooga, Tenn.

### NATIONAL IMPLEMENT AND VEHICLE ASSOCIATION.

James A. Carr, Richmond, Ind.	Henry M. Wallis, Racine, Wis.
F. C. Johnson, Springfield, Ohio.	H. N. Wade, Batavia, Ill.
E. W. McCullough, Chicago.	W. H. Stackhouse, Springfield, Ohio.

### THE NATIONAL BUSINESS LEAGUE OF AMERICA.

O. B. Bannister, Muncie, Ind.	A. Hirshheimer, La Crosse, Wis.
H. B. Bannister, Muncie, Ind.	Dr. Samuel MacClintock, Chicago.
Charles B. Boothe, Los Angeles, Cal.	Henry M. Wallis, Racine, Wis.
Elliott Durand, Chicago.	Alexander H. Revell, Chicago.
E. Allen Frost, Chicago.	H. W. Hoole, Muncie, Ind.

### NATIONAL PAINT, OIL AND VARNISH ASSOCIATION.

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George E. Watson, Chicago.	

### UNITED STATES BREWERS' ASSOCIATION.

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Rudolf Brand, Chicago.	Charles J. Vopicka, Chicago.
E. A. Faust, St. Louis, Mo.	

### AMERICAN EMBASSY ASSOCIATION.

E. Clarence Jones, New York City.	
Frederick Townsend Martin, New York City.	Honorable Frank D. Pavey, New York City.

### NATIONAL MERCHANT MARINE ASSOCIATION.

James L. Ewell, New York City.

### NATIONAL FOUNDERS' ASSOCIATION.

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Otto H. Falk, Milwaukee, Wis.	Staunton B. Peck, Chicago, Ill.
F. W. Hutchings, Detroit, Mich.	Frederick Robinson, Racine, Wis.

## THE WHOLESALE SADDLERY ASSOCIATION OF THE UNITED STATES.

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Albert Kuhlmeier, Chicago.

## AMERICAN MANUFACTURERS' EXPORT ASSOCIATION.

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R. W. Ashcroft, Racine, Wis. H. J. Turner, Buffalo, N. Y.  
W. B. Campbell, New York City. Henry T. Wills, New York City.  
Frederick Glover, Minneapolis, Minn. Spenser S. Weart, Canton, Ohio.  
G. M. Lingham, Dayton, Ohio. P. D. Wright, Erie, Pa.  
William C. Redfield, New York City.

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Hon. Edwin Denby, Detroit, Mich.

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Frederick A. Delano, Chicago. Frederick H. Scott, Chicago.  
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P. A. Peterson, Rockford, Ill.

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Charles C. Brown, Kenosha, Wis.

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**THE CLINTON MANUFACTURERS' AND SHIPPERS' ASSOCIATION.**

G. W. Dulany, Jr., Clinton, Iowa.

**INDUSTRIAL AND COMMERCIAL CLUB OF JANESVILLE.**

U. L. Carle, Janesville, Wis.      George F. Kimball, Janesville, Wis.  
J. A. Craig, Janesville, Wis.      Allen P. Lovejoy, Janesville, Wis.  
Azel C. Hough, Janesville, Wis.

**THE CHAMBER OF COMMERCE OF NEW HAVEN.**

Major Louis E. Stoddard, New Haven, Conn.      Colonel I. M. Ullman, New Haven, Conn.  
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**DULUTH COMMERCIAL CLUB.**

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J. W. Gilson, Racine, Wis.      Frank G. Bolles, Racine, Wis.

**BUFFALO (N. Y.) CHAMBER OF COMMERCE AND MANUFACTURERS' CLUB.**

Jacob C. Dold, Buffalo, N. Y.

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Commendatory letters were received from business organizations all over the country, promising hearty co-operation.

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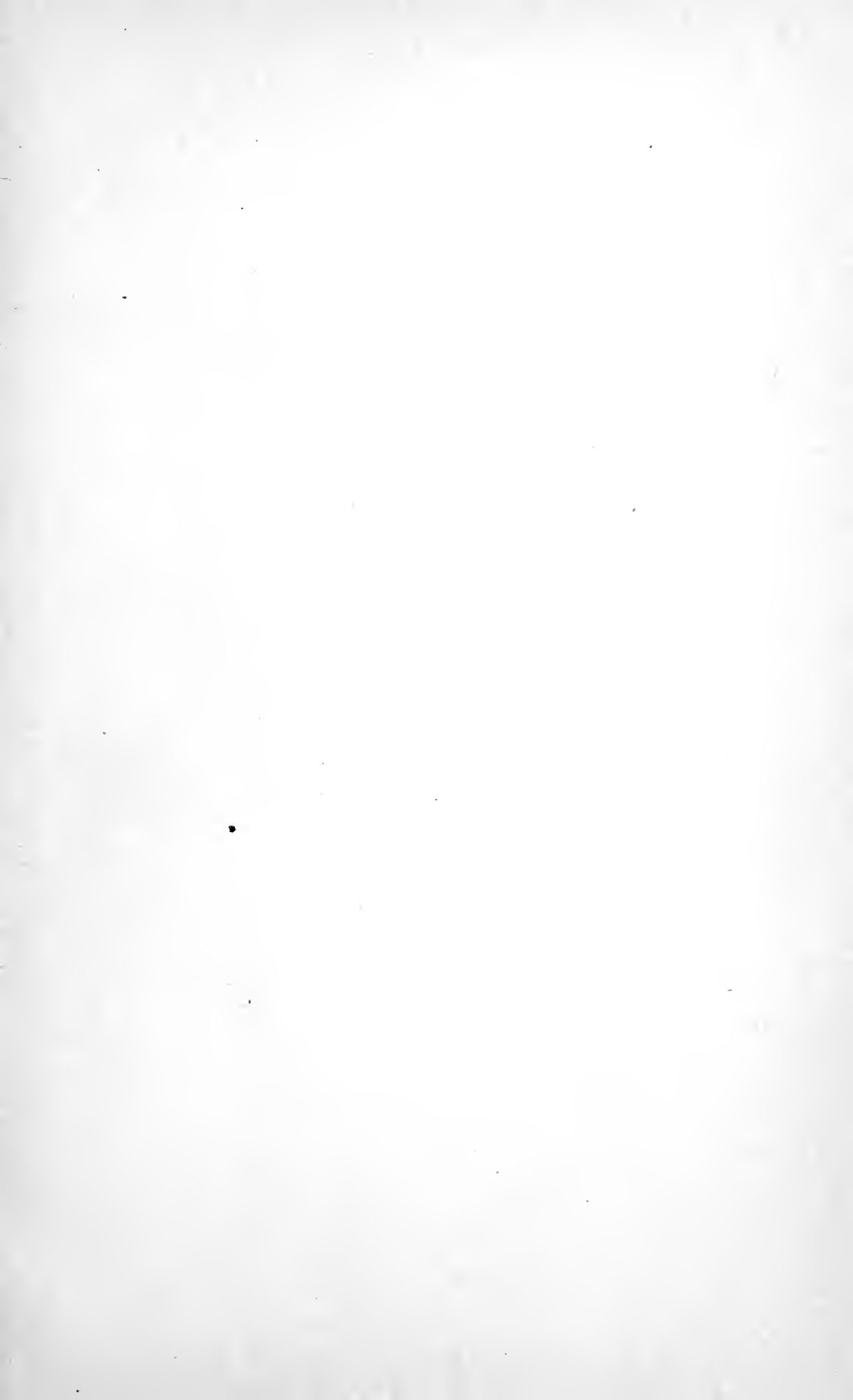
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